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INSIDE THE TABLOID

SAVING BRITAIN'S
WILDLIFE
8-PAGE SPECIAL REPORT

Britain threatens trade war

Charles Arthur
Science Editor
and Katherine Butler

In a move signalling a new beef trade war, the Government yesterday threatened a unilateral ban on £250m of European beef imports unless they adopt the UK's measures to protect consumers against bovine spongiform encephalopathy.

The defiant message, 15 months after the UK's £500m beef export industry was choked off by import bans across Europe and the rest of the world, is a preliminary shot before a meeting of the European Union's agriculture ministers on 22 July. The agriculture minister, Jack Cunningham, said he hoped the EU would agree on the new controls before the meeting.

But he warned that if there was no accord, he would act unilaterally to ban the import of 130,000 tonnes of beef, worth about £250m and comprising about 25 per cent of the UK's beef market.

Mr Cunningham added that he believed most member states strongly supported the idea of Europe-wide restrictions, even though agreement had proved hard to reach. He said he had already warned EU commissioners Franz Fischler and Emma Bonino of his moves.

The tough line found favour in Brussels last night where Herr Fischler recently revived proposals for a blanket EU-wide ban on offal. But Britain's EU partners will not appreciate being lectured to by the country they blame for giving Europe BSE. Nor will the Commission condone a unilateral British ban on beef from other member states that would be in clear breach of the rules

Modernise
plan tells
Europe off

ed that the heads, spinal cords, and various internal organs of cattle should be kept out of the food chain.

The measures were originally implemented to reduce the risk to humans from BSE after the Government announced that a number of people had died of a new form of Creutzfeldt Jakob Disease (CJD), a fatal brain disorder, and gave the "most probable cause" as exposure to BSE. So far 15 Britons have died of "nv-CJD", and one death was confirmed last year in France.

Mr Cunningham said: "I am prepared to wait until the July agriculture council but in light of the advice I have received, if agreement is not reached by then I cannot justify any further delay. And we would then implement these regulations unilaterally in Britain."

Professor John Partison, head of Seac, said the committee's advice to the government had changed in light of the EU's failure to reach agreement on the tougher controls on sheep and beef imports.

The moves come as the *Veterinary Record*, the official journal of the British Veterinary Association, is considering a paper submitted by an international team of scientists which suggests that there has been considerable under-reporting of BSE in Europe.

From the UK, other EU

countries have only reported a total of 352 cases of BSE. Yet statistical studies, and comparisons with Switzerland, where a total of 225 BSE cases were reported, suggest that the EU should have reported 1,670 cases of BSE from imported British cattle alone.

Mr Cunningham said he was acting on the advice of Seac, the independent advisory committee, which has previously recommended

the single market, officials said.

Mr Cunningham insisted the threat of unilateral action was neither a re-run of the previous government's attempts to force concessions on the EU's ban through confrontation, nor a bluff.

"This is no game. This is no bluff," he said. "I'm in earnest in making this announcement. The draft orders are in my briefcase. It's nothing to do with protectionism. It's based on very important advice to safeguard public health."

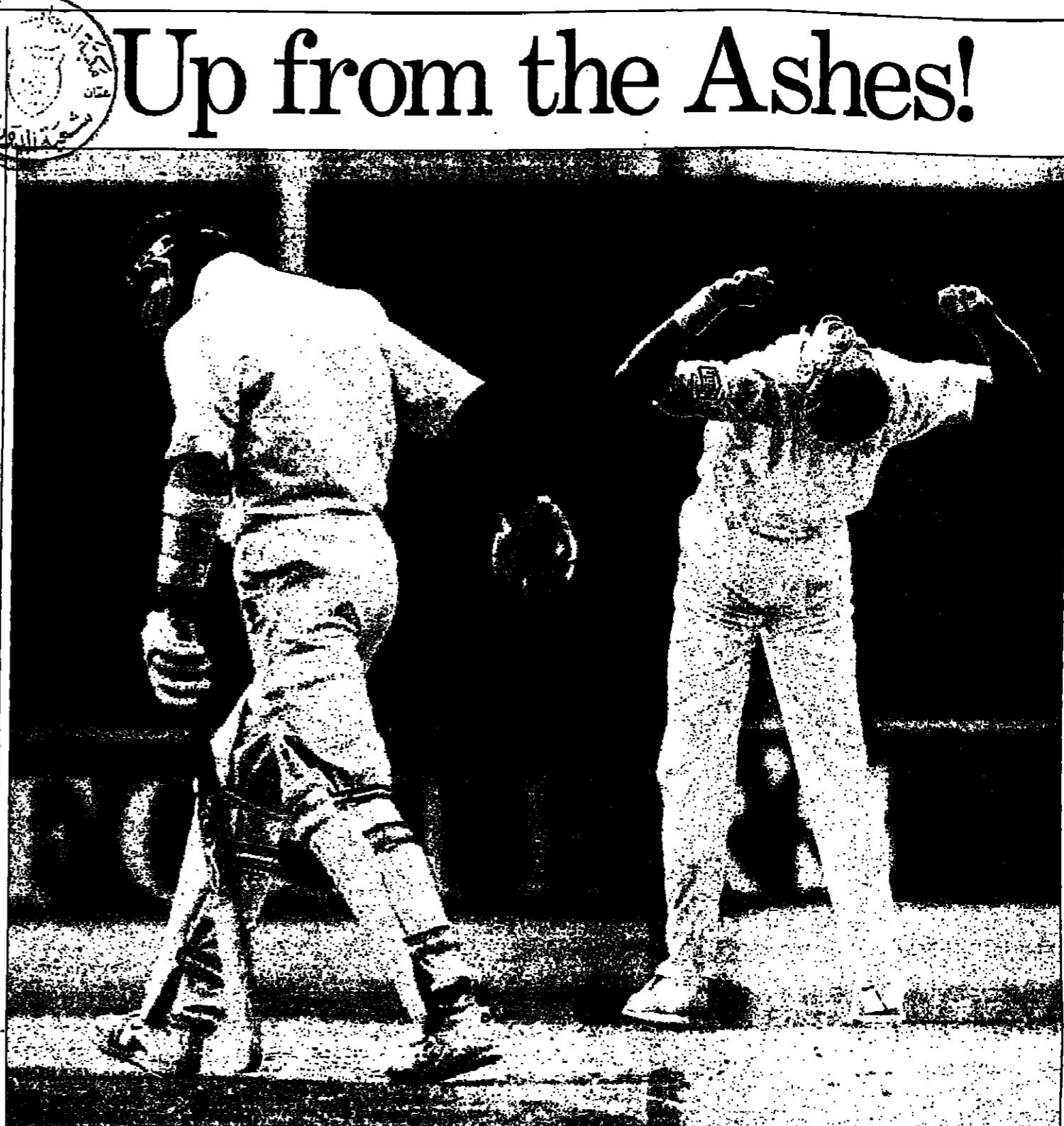
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Howzat! Andy Caddick celebrates taking Jason Gillespie's wicket on the first day of the first Test against Australia. Photograph: David Ashdown

Chris Maume

Harold Wilson was quick to claim credit for England football's greatest day, so, perhaps, Tony Blair may be persuaded to push the case that the nation's sporting renaissance is all down to his party's landslide in the general election.

Following the recent success of the Lions rugby union tourists in South Africa and the English

rugby and football teams, yesterday it was the turn of England's cricketers to ride the crest of the national sporting wave.

The first day of the first Test at Edgbaston was entirely dominated by England, whose bowlers saw off the Australians for only 118 runs before the batsmen, after surviving some early scares, finished the day on 200 for 3. Having lost their deposits in the one-day series, the Australians are obviously pay-

ing the penalty for voting in John Howard's Liberals - the Aussie Tories - last year. It took a while for the curse of the right wing to take effect. West Indies and South Africa both being beaten since the election, but it kicked in yesterday.

Which would suggest that we're quids in for next year's World Cup. The 2002 finals, though, just after a full-term election, may be our downfall.

Test reports, page 30



Old favourite: A conductor standing at the back of a Routemaster bus, whose open platform is popular with travellers. Photograph: Philip Meech

Hospital debts threat
One of Labour's key election pledges to cut waiting lists has been put in jeopardy by the discovery of £300m debts facing health authorities and hospital trusts. Page 6

Railtrack review
The Rail Regulator has launched a review of public subsidies to Railtrack, after it announced a 27 per cent increase in pre-tax profits last year. Page 22

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Radiologists to retrain after breast screening alert

Two consultant radiologists have agreed to undergo further training following concerns raised by medical staff over breast screening, it emerged yesterday. The concerns centred on the interpretation of tiny calcium deposits which showed up in mammography films of nine women who attended the East Devon Breast Screening Service, run from Exeter.

Dr John Brennan, from the Royal Devon and Exeter Hospital, and Dr Graham Urquhart, from Torbay Hospital, are to undergo re-training at an NHS Breast Screening Programme training centre in Nottingham in the specific area of microcalcification interpretation. Meanwhile, the RDE and South Devon Healthcare Trusts said they would be reviewing their breast screening service which will continue on a day-to-day basis.

The nine women were among 12 who developed breast cancer after an initial screening – and before the routine three-year recall – and were being treated for it in hospital. The RDE Trust's chief executive, Angela Pedder, said that two of the nine women had died, but added: "That does not mean the deaths are the result of this issue." The trust set up a helpline for women concerned about the issue and in the few hours after it was launched yesterday morning a total of 110 women had called for information.

Trains stuck in Channel tunnel

A tourist shuttle train and a high-speed Eurostar train were stuck in the Channel tunnel after a power failure. Passengers on the carrying shuttle 10 miles out from the English coast reported hearing a loud bang and seeing a flash as the train tripped overhead lines. It was half an hour before the two trains were able to move and large queues of vehicles built up at the Folkestone terminal in Kent. A section of the French-bound tunnel was closed for several hours for repairs to the power lines.

Eurolink had to reduce the number of shuttles running through the tunnel as well as suspend trials of its freight shuttle trains, which the company hopes to restart in mid-June following last November's fire. The company said no passengers had been in danger apologised for the inconvenience.

Gregory flies home and goes to jail

Drug smuggler Sandra Gregory has spent her first night in a British jail after being transferred from Thailand to complete her 25-year sentence. The 32-year-old teacher was taken Holloway prison in north London, after being flown back to Britain yesterday with three other Britons convicted of smuggling. She will spend several weeks there being assessed before being transferred to another jail. Gregory, (left) of Sowerby Bridge, West Yorkshire, was found carrying 89 grammes of heroin concealed in a condom in her body preparing to board a plane from Bangkok to Tokyo in 1993. She was arrested with fellow Briton Robert Lock, who was released last year after being cleared.

Salmonella scare halts admissions

All admissions to a hospital hit by a salmonella outbreak were stopped yesterday after two patients died and 17 other people fell ill. Staff and patients at the 55-bed Victoria Hospital in Deal, Kent, have both been affected in the last six weeks. Experts said that the two people who died were frail and had life-threatening conditions before the salmonella infection.

The hospital has stopped all admissions for four weeks while doctors try to trace the source of the outbreak and tests are being carried out at the hospital and on former patients to try to track down the source of the outbreak. Dr Mathi Chandrakumar, East Kent Health Authority's consultant in communicable disease control, said: "All necessary steps are being taken to control the outbreak and hospital staff are being especially vigilant in their care of the patients."

Smoke-ban commuter's light relief

A long-running legal campaign by a commuter against a smoking ban on the London to Brighton line descended into farce yesterday, amid claims that the rail company would permit him to smoke cigars. Peter Boddington, of Brighton, and Connex South-Central said they had resolved their dispute after Mr Boddington agreed to abide by the terms of an order drawn up by their lawyers. But later in the day it transpired that they had different views on what the deal meant.

Connex, which obtained an interim High Court injunction in April preventing Mr Boddington from lighting up on its trains, said he had agreed to refrain from all forms of smoking. He, however, pointed out that the order referred only to "smoking or carrying a lighted cigarette" and said he would be entitled to puff on cigars on his daily journey to and from London.

Kathy Marks

Law Society to keep minimum pay

The solicitors' ruling body yesterday overruled popular opinion in the profession with a decisive vote against abolishing the minimum salary for trainees. The 75-strong Council of the Law Society voted overwhelmingly at its monthly meeting to retain the minimum even though a substantial majority of respondents to a consultation exercise in January favoured abolition. Under the current minimum, which have not changed since 1992, trainees must be paid at least £10,850, or £12,150 in inner London – except in the relatively rare cases where a firm is granted a waiver. The council decided, however, to institute a long-term review of the current system of training contracts in the light of concerns that firms applying for waivers are not providing proper training.

Patricia Wynn Davies

Police hunt ostrich thieves

Police in Dorset are hunting thieves who shot and stole an ostrich from a farm. The huge bird was removed by the raiders through a hole in fencing they had cut at the ostrich farm at Sydling St Nicholas, near Dorchester, Dorset. Security at the farm has been stepped up and the owner has offered a £1,000 reward for the arrest and conviction of the offenders. Dorset police said.

THE INDEPENDENT ABROAD

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IT'S A ROLLOVER!

Draw date: 4/6/97. The winning numbers: 18, 19, 21, 30, 34, 44. Bonus number: 6. Total Sales: £25,024,590. Prize Fund: £21,265,510 (45% of ticket sales).

| CATEGORY | NO. OF WINNERS | AMOUNT FOR EACH WINNER | TOTAL EACH TIER |
|-------------------------|----------------|------------------------|-----------------|
| Match 6 (Jackpot) | 0 | £3,642,350 | £3,642,350 |
| Match 5 plus bonus ball | 14 | £80,080 | £1,121,120 |
| Match 5 | 288 | £2,432 | £700,416 |
| Match 4 | 15,653 | £77 | £1,200,001 |
| Match 3 | 42,859 | £50 | £2,142,950 |
| TOTALS | 46,114 | £11,260,157 | |

© Camelot Group plc. Players must be 18 or over.



Shady business: Young fashion designers had their work on display yesterday at the Royal College of Art show in London. Students such as Sarah Lawrence, whose work is pictured above, are hop-

ing to follow in the footsteps of Alexander McQueen and John Galliano by making their mark on the world scene. Kenzo, Cerruti and Versace had representatives at the show. *Photograph: Peter Macdiarmid*

Design guru embarks for Millennium Central

Stephen Bayley, design guru, to use a phrase he likes using himself, has been appointed creative director to Millennium Central, the operator of the £600 million Millennium Exhibition in Greenwich.

The company said he would start on detailed briefs for the design of the exhibition inside the Millennium Dome, which is supposed to be Britain's main celebration in 2000.

Mr Bayley, 45, was a key figure in making mass-marketed designs fashionable during the 1980s. He has worked with Terence Conran and helped set up a design centre at the Victoria and Albert Museum which included a centenary show called: "Coca-Cola: Designing a Megabrand."

He was a founding director of the Design Museum in London where he clashed with Margaret Thatcher who criticised him for having too few British products on show.

In his new consultancy role, he will look at "innovative three-dimensional elements of the exhibition with-

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Piggott silk sold by Sotheby's was false

Racing enthusiast spotted error in catalogue but auction house still conducted sale

Clare Gammie

A horse racing enthusiast assumed he was bidding a winner when he paid £5,520 for the silks worn by Lester Piggott on his first Derby win. Sotheby's knew he was not.

The London fine art auctioneers failed to inform potential purchasers at its first sale of racing memorabilia, last November, that the prize silks were not genuine, despite having been alerted to the fact three months earlier.

John King, from Plumpton, in Sussex, had contacted Sotheby's when he spotted that the silks photographed in the catalogue did not match the ones pictured in newspaper cuttings of Piggott's win on *Never Say Die* in the 1954 Derby.

The only footage of the day was black and white, but Piggott wore the colours of the horse's owner, Robert Sterling Clark: cerise and grey stripes with a blue band across the middle.

"It was quite plain to see that whereas the catalogue picture had the pale stripe down the middle, Lester had the dark stripe down the middle. Obviously the pattern itself was the same but the garments were different," Mr King tells BBC1's *Weekend Watchdog* tonight.

"I rang Sotheby's because ... I thought rather than let them



Spot the difference: Lester Piggott after his 1954 Derby win and, far right, replicas of the silks worn by Piggott (left) and by Sotheby's (right). Piggott's silks have a grey central strip, rather than pink

make a mistake it would only take a minute to give them a ring to tell them and presumably then they would change the description in the catalogue," he adds.

The catalogue for the Racing Sale, however, remained unchanged. The Marquess of Hartington, deputy chairman of

Sotheby's Holdings and former Senior Steward of the Jockey Club, flagged up the emotional high point of the sale in the foreword. He wrote: "We are particularly pleased to be able to offer in the same sale silks that were worn by Lester

Piggott on the occasion of his

first Derby win." The silks were conservatively estimated to fetch between £300 and £500.

Now, seven months later, Sotheby's has confirmed that it had its doubts about the silks before the sale. A caption under the photo of the silk in the catalogue said it was "believed to be" the

one worn by Piggott in 1954. A spokesman for Sotheby's said: "We should have issued a pre-sale notice advising potential purchasers accordingly. We obviously regret we did not do this."

Mr King had spoken to Chantal Langley, at Sotheby's Newmarket office. She asked

him to send the newspaper cutting and said that they had had a phone call from someone in America claiming that they had the original silks.

Mr King did not hear from Sotheby's until three months after the sale, which fetched £1.7m. On 4 February, he received a let-

ter from Mrs Langley stating:

"The catalogue description of the racing silks reflected Sotheby's opinion as to their likely provenance given the information provided by the seller."

Mr King commented on Sotheby's actions: "It tends to make you feel that they will sell

anything provided that the seller tells them that it's genuine."

Sotheby's is not legally obliged to give a refund, but has offered to do so. The unidentified purchaser is understood to be "keen to keep the silks" and "entirely happy with the way Sotheby's handled the matter".



Minister unmoved by Camelot threats

Steve Boggan

Threats by directors of Camelot to resign if they are ordered to repay their controversial bonuses will be ignored today by Chris Smith, Secretary of State for National Heritage, as part of continuing efforts to get tough with the lottery organiser.

Sources close to Mr Smith said he has been unmoved by reports that three of Camelot's top executives may quit today and by the announcement that three of the company's five shareholders will pull out if the operation is made "not-for-profit".

Following his meeting last Monday with Camelot chairman Sir George Russell, at which he expressed anger at bonuses of up to 90 per cent of salary being paid in a year when donations to good causes fell, Mr Smith is awaiting a response to three proposals aimed at restoring public faith in the lottery.

He asked Camelot to repay

£7m of interest from unclaimed prizes to the good causes fund; suggested that the directors pay some or all of their bonuses to charity; and recommended paying all or some of all future bonuses to charity. On top of those proposals, Camelot was given six weeks to come up with plans for operating as a not-for-profit organisation.

Over the past three days, however, a number of stories appeared in the press, apparently designed to put pressure on Mr Smith to reconsider a position that looked increasingly radical in the light of independent research showing that Camelot runs the most successful and efficient lottery in the world.

First, Sir Ernest Harrison, chairman of Racal, and Jeremy Marshall, chief executive of De La Rue, both of which own 22.5 per cent of Camelot, said they would not participate in a not-for-profit organisation. They were joined by GTech, the

US shareholder responsible for lottery technology, which said it would not provide goods and services without a profit element.

Second, it was reported that Tim Holley, Camelot's chief executive, who earned £590,000 last year; David Rigg, its £333,000-a-year communications director; and Peter Murphy, £361,000 finance director, were considering resigning today "to avoid further damage to the National Lottery", according to the *Financial Times*.

Camelot would neither confirm nor deny the reports yesterday. Neither would it say what response it planned to give to Mr Smith.

A source within the department said Mr Smith's "main concern is that public confidence in the lottery should be restored so that it can continue to be a great success and raise more money for the good causes. He wants to draw a line under the whole episode as soon as possible."

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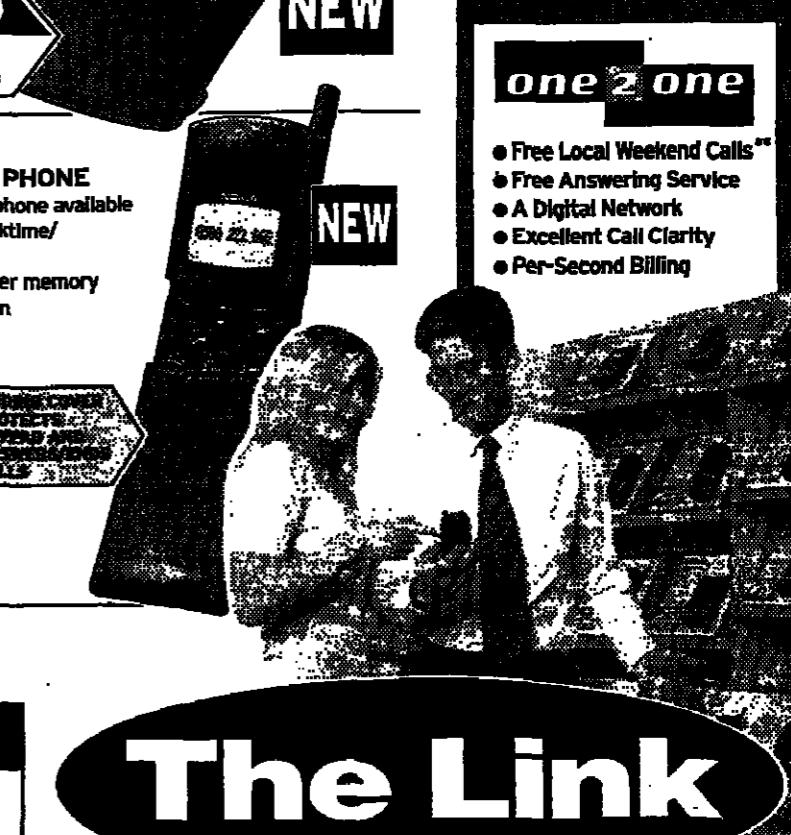
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news

Goodbye Gary, as stage musical closes

David Lister
Arts Editor

The American humorist Neil Simon has suffered a rare reverse in his long career with the closure of the London stage musical of *The Goodbye Girl*, starring Gary Wilmot.

The show, based on the hit Neil Simon film, never recovered from poor reviews. It means just a two-month run for the musical, following in the wake of other musical closures including *Tommy* and *Sunset Boulevard*. Unlike those two, however, *The Goodbye Girl*, which used Simon's dialogue though he did not write the songs, received very poor reviews.

"The critics were very harsh, and it affected the show," a spokeswoman said yesterday. "It

The show won't go on: Gary Wilmot and Ann Crumb in a scene from Neil Simon's *The Goodbye Girl*

is very sad." The last night of the production will be 28 June, she said, and would not comment on the cost of early closure, but one estimate was six figures.

It marks a rare flop for en-

tertainer Gary, 43, who has scored box office hits with virtually every show he has starred in, from *Me And My Girl* to *Capricorn*. *Aspects Of Love* also stars

Aspects Of Love star Ann Crumb as the thirtysomething former chorus girl convinced from bitter experience that actors are a bad bet for love.

The show represents a rare

West End flop for producer E & B Productions, whose recent successes include *Buddy* and *Johnson*. Another West End show is also set for early closure – *Steaming*, the revival of Neil Dunn's 1980s all-women play set in a Turkish bath and starring comedian Jenny Eclair. The show, now running at the Piccadilly Theatre, is to shut after just four weeks on 14 June.

Photograph: Tristram

Kim Sengupta

Former cabinet minister Jonathan Aitken told a court yesterday how his 12-year-old son asked: "Daddy, what is a pimp?" after a front-page newspaper story accused him of attempting to procure prostitutes for Arab business contacts.

Mr Aitken described his shock at the story in the *Guardian*: "My reaction was to be horrified. I felt poleaxed ... it was almost the equivalent of having a heart attack in terms of the shock and pain I felt on reading it."

Giving evidence on the second day of his libel action against the *Guardian* and Granada Television, makers of the *World in Action* programme, Mr Aitken continued: "I buried my head in my hands, and said to no one in particular that the *Guardian* have said on their front page I am a pimp. My son then made the polite inquiry 'What is a pimp, Daddy?'

Mr Aitken, a former defence procurement minister and chief secretary to the Treasury, told the court that he had been on a skiing holiday in Switzerland when the article in the first edition of the newspaper was fixed to him late at night from London.

He said: "I had a sleepless night once I had read the *Guardian*'s story."

"I said to myself in the long, dark night of the soul I have got to stand and fight."

"I have got to fight these lies and I will do so."

Mr Aitken, 54, said he got up at dawn, caught the early flight back to London, and wrote a speech about how he was going to wield "the sword of truth and the shield of fair play" – words that he was to use at a press conference announcing his libel action on 10 April 1995.

He told Mr Justice Popplewell that he had "scrupulously observed" government guidelines which stated that on taking public office as a minister in 1992 all private business must stop. He denied being involved in any private deals with Arab businessmen while serving as a minister.

Mr Aitken is suing the *Guardian* and Granada Television over articles printed in the newspaper in 1995, and broadcast in the documentary

series *World in Action*. The articles and the documentary claimed that Mr Aitken provided prostitutes for highly placed Saudis and had engaged in illegal arms trading.

His counsel, Charles Gray, QC, said the allegations had "butchered" the politician's personal, political, and professional reputation.

Mr Aitken told the court: "The *Guardian* gave me no notice of what they were going to publish, nor warning of what they were going to publish and no opportunity to respond to the serious allegations that they were going to make."

The report had been headlined "Aitken tried to arrange girls for Saudi friends", the judge was told.

Turning to the *World in Action* programme "Jonathan of Arabia", broadcast in April 1995, Mr Aitken said: "I think they had a preconceived and pre-planned hatchet job."

This was character assassination TV, not current affairs TV. There was no attempt at balance or objectivity. It was 'destroy Aitken' time."

The former minister said he had received a letter from *World in Action* producer David Leigh saying the programme was preparing a "profile" of him and requesting an interview. He was given five days to respond.

Mr Aitken said that he eventually proposed that he appear on a live show where he could be interviewed to refute any allegations made against him after the documentary was screened.

But this offer was rejected by Granada because it did not conform to the traditional format of the programme.

Mr Aitken told the court that he had first met Prince Mohammed from the Saudi royal family during a business trip to Paris, and had kept in touch with him.

On a subsequent visit to the Saudi capital Riyadh he met Said Ayas an employee of the Prince.

Continuing his evidence, Mr Aitken told the court that he was introduced to his wife, Licia, by Mr Ayas's mother. And Mr Ayas and his sister later became godparents to Mr and Mrs Aitken's two daughters.

The case continues.

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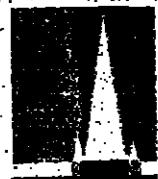
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Redwood says Clarke must toe Emu line

Colin Brown
and Anthony Bevins

John Redwood raised the pace in the Tory leadership election campaign by warning Kenneth Clarke he would not be able to serve in a Redwood cabinet unless he toed the line, by opposing the European single currency.

As nominations closed with five candidates in the race, Mr Redwood said he would stop the civil war in the Tory party by imposing a clear policy to rule out British entry into the single currency.

"If they wish to be in the Shadow Cabinet, and I think Ken should be in the Shadow Cabinet, then they will be required to stick to the Shadow Cabinet line."

"I say it must be settled now in this leadership election. The party must make up its mind in a few days' time. If Ken and others say that keeping up a campaign for a single currency of some sort is more important than being in the Shadow Cabinet, I will respect that position."

Mr Redwood said his clear rejection of a single currency was the only way to stop the Tory party having "all the charm

of a Balkan battlefield". But his critics said it would deepen the splits in the party.

Mr Clarke's camp are hoping to take more than 50 votes in the first ballot next Tuesday and there has been continued speculation that some could leave the party if it swung decisively towards Euro-scepticism.

Mr Redwood's move to turn the leadership election into a ballot on the European policy was intended to oust the other right-wing candidates. William Hague issued a glossy brochure which did not mention the issue.

In the jockeying for position, Mr Hague claimed more support among the new intake, including the former Asda boss, Archie Norman. Michael Howard recruited David Faber, one of the backers of Stephen Dorrell who dropped out in favour of Mr Clarke.

Some of Mr Hague's supporters, who might have been thought to have been natural Clarke backers, were saying yesterday that the former Chancellor could not unite the party, which is why they had opted for Mr Hague. It was also being said at Westminster by

Contenders and their supporters

Apart from the hard-core campaigners, who have declared their support for each of the Conservative leadership candidates, there are unofficial lists of potential supporters collected by each camp.

The Independent has identified more than 100 of the 164 Conservative MPs from these lists, and while some might be mistaken – particularly with MPs wanting to consult their local parties before casting their votes on Tuesday – they could provide a rough indication of the way in which the first-round voting might be weighted.

The closeness of Clarke, Hague and Howard is marked; but Lilley cannot yet be discounted – unless Howard beats him to become the lead right-winger in the first-round ballot. But with more than 40 votes uncommitted, the result could swing in any way in what MPs acknowledge is a "lottery".

KEN CLARKE

David Curry (joint campaign manager); Michael Jack (joint campaign manager); with support declared by: Michael Mates, John Gummer, and Ian Taylor.

Possible supporters include: Tony Baldry, Banbury; Virginia Bottomley, SW Surrey; Peter Brooke, Cities of London and Westminster; Quentin Davies, Grantham and Stamford; Stephen Dorrell, Charnwood; Sir Peter Emery, E Devon; Michael Fabricant, Lichfield; Sir Norman Fowler, Sutton Coldfield; Edward Garnier, Harborough; Sir Alan Haselhurst, Safron Walden; Sir Edward Heath, Old Bexley and Sidcup; Michael Heseltine, Henley; Douglas Hogg, Sleaford and North Hykeham; Robert Jackson, Wantage; Sir Geoffrey Johnson Smith, Wealden; Tom King, Bridgwater; Sir Peter Lloyd, Farnham; John MacGregor, S Norfolk; Sir David Madel, SW Bedfordshire; Richard Ottaway, Croydon S; Andrew Rowe, Faversham and Mid Kent; Peter Temple-Morris, Leominster; Robert Waller, N Dorset; Sir Ray Whitney, Wycombe; Sean Woodward, Weymouth; and Sir George Young, NW Hampshire.

(Total 32)

WILLIAM HAGUE

James Arbuthnot (campaign manager); Alan Duncan, Nigel Evans, James Palice; Tim Yeo; Roger Gale; Nick Hawkins; Humfrey Malins.

Possible supporters: Michael Ancram, Devizes; Peter Bottomley, Worthing W; Ian Bruce, South Dorset; James Clappison, Hertsmere; Geoffrey Clifton-Brown, Cotswoold; David Heath-Amory, Waller; Cheryl Gillan, Chesham and Amersham; Julie Kirkbride, Bromsgrove; Tim Loughton, E Worthing and Shoreham; Sir Nicholas Lyell, NE Bedfordshire; John Maples, Stratford-on-Avon; Malcolm Moss, NE Cambridgeshire; Archie Norman, Tunbridge Wells; Richard Page, SW Hertfordshire; Eric Pickles, Brentwood and Ongar; David Prior, N Norfolk; Jonathan Sayeed,

Mid Bedfordshire; Sir Peter Tapsell, Louth and Horncastle. (Total 27)

MICHAEL HOWARD

Sir Michael Spicer (campaign manager); Tim Collins; David Davie; David Maclean; Liam Fox; Oliver Heald; David Lidington; Patrick Nicholls; Francis Maude; James Cran; Christopher Chope; Andrew Lansley; Christopher Fraser. Possible supporters:

Sir Richard Body, Boston and Skegness; Simon Burns, W Chelmsford; Alan Clark, Kensington and Chelsea; David Faber, Westbury; Teresa Gorman, Billesley; John Greenway, Ryedale; Philip Hammond, Runnymede and Weybridge; Eleanor Laing, Epsom Forest; Edward Leigh, Gainsborough; Theresa May, Maidenhead; Owen Paterson, N Shropshire; Desmond Swayne, New Forest W; John Taylor, Solihull; Sir Tedd Taylor, Rochford and Southend E; David Tredinnick, Bosworth; Nicholas Winterton, Macclesfield. (Total 30)

PETER LILLEY

Eric Forth (campaign manager); Gillian Sheppard; David Willetts; Sir Patrick Cormack; John Whittingdale; David Amess; Bernard Jenkin; Nigel Watson; Gerald Howarth; Andrew Tyrie; Nick Gibb; John Bercow. Possible supporters: Michael Colvin, Romsey; Piers Merchant, Beckenham; Robert Syms, Poole; Ann Widdecombe, Maidstone and the Weald; Ann Winterton, Congleton. (Total 18)

JOHN REDWOOD

Iain Duncan Smith (campaign manager); Angela Browning; Marion Roe; Andrew Hunter; Julian Brazier; David Wilshire; John Wilkinson; Julian Lewis; Oliver Letwin; Howard Flight; Laurence Robertson. (Total 12)

Unidentified:

Peter Ainsworth, E Surrey; David Atkinson, Bournemouth E; Peter Atkinson, Hexham; Sir Paul Beresford, Mole Valley; Crispin Blunt, Reigate; Tim Bowell, Daventry; Graham Brady, Atricham and Sale W; John Butterfill, Bournemouth W; William Cash, Stone; Sir Sydney Chapman, Chipping Barnet; Michael Clark, Rayleigh; Stephen Day, Cheadle; Michael Fallon, Sevenoaks; Christopher Gill, Ludlow; Alastair Goodlad, Eddisbury; James Gray, N Wiltshire; Damian Green, Ashford; Dominic Grieve, Beaconsfield; Sir Archie Hamilton, Epsom and Ewell; John Hayes, S Holland and the Deepings; John Horam, Orpington; Robert Key, Salisbury; Michael Lord, Central Suffolk and N Ipswich; Peter Luff, Mid Worcestershire; John Major, Huntingdon; Brian Mawhinney, NW Cambridgeshire; Anne McIntosh, Vale of York; Andrew Mackay, Bracknell; Patrick McLoughlin, W Derbyshire; Andrew Robathan, Babergh; David Ruffley, Bury St Edmunds; Richard Shepherd, Aldridge-Brownhills; Keith Simpson, Mid Norfolk; Caroline Spelman, Meriden; Richard Spring, W Suffolk; Nick St Aubyn, Guidford; Sir John Stanley, Tonbridge and Malling; Anthony Steer, Tonbridge; Gary Street, SW Devon; John Townend, E Yorkshire; Michael Trend, Windsor; Peter Viggers, Gosport; Charles Wain, Bedhill and Battle; Bowen Wells, Herford and Stortford. (Total 45)

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Harriet Harman, Secretary of State for Social Security, meeting pensioners at Southwark Town Hall yesterday. She vowed to bring in pension sharing for divorcing couples, ending the system whereby a divorcee can claim only a share of an ex-spouse's pension. Photograph: Philip Meech

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As it was... Children playing football on a field in Beddington, near Croydon, in 1980

Ian Burrell

They are the lungs of the inner cities and the focal point of village life. But a report revealing the mass transformation of Britain's playing fields into building sites and housing estates yesterday prompted warnings for the health of future generations.

Ministers are urgently preparing measures to stop further sales of playing fields, as it emerged that more than 1,250 sites have been sold or offered to developers for housing and other building projects.

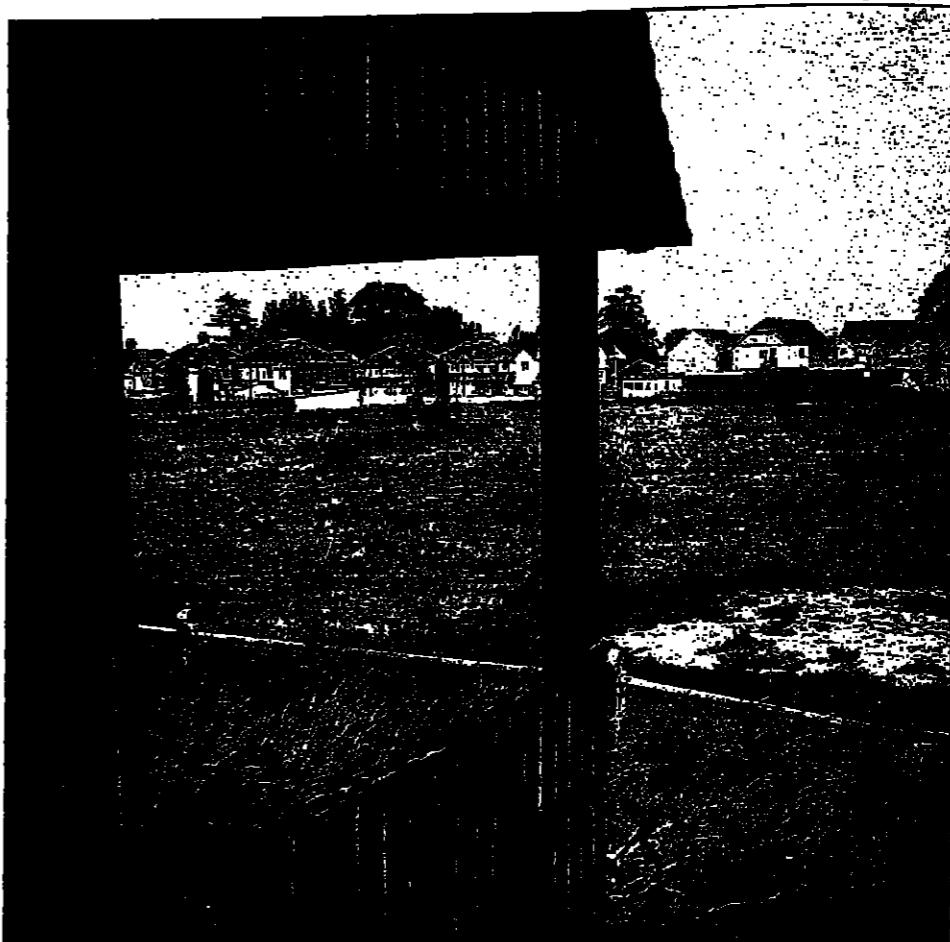
An unpublished report by the Central Council for Physical Recreation reveals the extent to which schools, local authorities, health trusts, railways and private companies have raised cash by selling off their sports grounds.

The report reveals that in the last 12 years, 1,272 playing fields have been developed or face development. A staggering 251 sites have been proposed for sale in the last eight months since a requirement to consult the Sports Council about prospective sales was introduced.

Before and after: just one of the 1,250 playing fields that have vanished beneath concrete

cluded in the figures. "It's a disgrace. The legislation encourages local authorities to sell off playing fields which could be used by young people. No wonder youth sports development is withering on the vine," he said.

Restrictions will probably be introduced to make further sales of sports fields possible only when there is no local support for their retention. Nigel Hook, technical services director of the CCPFR, said many primary school playing fields of less than one acre had been sold without notification and were not in-



And now... A housing estate encroaches on the greenery

Photograph: Adrian Dennis

previous government." He said new legislation was needed to ensure sales could not go ahead without government approval. "If it is left to the local authorities, some of them would be more interested in the money."

Among the sites threatened by developers is the former sports field of the Foster's Boys Grammar School in Sherborne, Dorset. Plans by Dorset County Council to turn the nine-acre site into an estate of 107 houses have infuriated local people.

Doug Hoskins, leader of the "Fight for Foster's Field" campaign,

said it was the only green site left in the town for informal recreation. "We want it to be like an old-style park for everybody from eight to eighty," he said. "In the last 18 months, 52 houses have been given planning permission around the perimeter of the field. They are crowding in houses everywhere they can."

In Shropshire, campaigners are angry at plans by the West Midlands Regional Health Authority to build houses on land alongside the Royal Shrewsbury hospital which was once a sports field for hospital employees.

The rush to sell off playing fields began with the Department of Education's Circular 909 introduced in 1981. Despite a succession of promises by ministers to reverse the trend, the sales have continued.

Don Earley, deputy director of the National Playing Fields Association, called for new laws to give sports grounds the same protection from development given to green belt land. "In fitness terms, you end up as a less healthy nation," he said, "and Britain will have less chance of producing outstanding performers."

Grobbelaar retrial told of goalkeepers' crucial role

Michael Streeter

The former Liverpool goalkeeper Bruce Grobbelaar received £40,000 as "corrupt reward" for taking part in a conspiracy with fellow-professional John Fashanu to fix Premier League football matches, a court was told yesterday.

Mr Grobbelaar and Mr Fashanu, together with the former Wimbledon goalkeeper

Hans Segers and Malaysian businessman Heng Suan Lim, are being re-tried on corruption charges at Winchester Crown Court after a jury failed to reach a verdict in a seven-week hearing earlier this year.

Outlining the case to the new jury of six men and six women, David Calvert Smith QC, for the prosecution, said the two goalkeepers had been recruited by a Far Eastern syndicate to influence the results of matches on which they were playing. Mr Lim, known as Richard, was the syndicate's representative in London and Mr Fashanu, former Wimbledon player and *Gladiators* presenter, was the "middleman" who later tried to take over direct dealing with the syndicate himself, said Mr Calvert Smith.

The conspiracy involved Mr Grobbelaar, now with Plymouth

Argyle, receiving large sums of money for agreeing to influence matches in which he played for Liverpool and later Southampton. Mr Calvert Smith said the intention was that Grobbelaar would do what he could on the pitch to influence the results of games in order that the syndicate could more safely bet on their result.

While it was obvious that no one player could alone guarantee the result of a match, a goalkeeper was the last line of defence, someone who could make genuine mistakes as well as brilliant saves and was the single most important player for a syndicate to recruit, he said.

The prosecution accepted that Mr Grobbelaar's own and competitive instincts on the field may have frustrated the syndicate's aims. But if a conspiracy did exist, said Mr

Calvert Smith, then "it does not matter whether the actual result of the match owed everything, little or nothing to the assistance of the corrupt player."

The £40,000 paid to Mr Grobbelaar followed a match between Liverpool and Newcastle in November 1993 and the money was paid to him at an address used by Mr Fashanu. Mr Segers was involved in a similar parallel conspiracy with

Mr Lim and Mr Fashanu and received up to £100,000, said Mr Calvert Smith. The defendant had told a "pack of lies" to police that the money came from car crime when he was a young man in the Netherlands, and had told further lies at the first trial by claiming the cash in fact came from his Dutch associate in a tie-manufacturing business. The prosecution would call the associate - Alphonsus

Thijs - as a witness who would state that he "never paid Mr Segers a penny in cash".

Mr Grobbelaar, Mr Fashanu and Mr Lim deny conspiring to give or receive money to fix matches. Mr Fashanu, Mr Lim and Mr Segers deny a similar charge. Mr Grobbelaar denies a separate charge of receiving £2,000 connected to alleged match-fixing.

The case continues.

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Straw curbs migrants' bogus advisers

Jason Bennett
Crime Correspondent

A clampdown on hundreds of bogus immigration advisers, who dupe vulnerable people out of thousands of pounds, is to be launched by the Government, it was revealed yesterday.

The Home Office is expected to introduce a licensing system and may appoint an inspectorate to prevent further abuses. The move follows a

huge upsurge in the number of people, many of whom have no qualifications, setting themselves up as paid-for consultants. There have been cases in which people have paid as much as £4,000 to £5,000 for "advice" on issues such as visas, work and marriage, much of which is wrong or fraudulent.

Jack Straw, the Home Secretary, said yesterday: "These so-called advisers are making a killing out of pursuing bogus ap-

plications." He also announced the scrapping of the much criticised "primary purpose" immigration rule that has barred entry to thousands of people married to British citizens.

The rule requires foreigners married to British citizens to prove that it is not the primary purpose of the marriage to gain entrance to Britain. The change will result in up to 1,000 people awaiting appeals being granted immediate entrance to

Britain and an estimated further 500 who fall foul of the rule every year being allowed in.

On the question of immigration advisers, Mr Straw said that among the measures likely to be introduced are the introduction of licensing or a register to ensure that only qualified and approved people offered assistance. An inspectorate may also be created to police the system.

Claude Moraes, director of

the Joint Council for the Welfare of Immigrants, an organisation which is approved by the Law Society, said there were hundreds of bogus advisers in every inner-city area.

Their charges ranged from a few hundred pounds to several thousand, and they often gave incorrect advice or charged for filling in standard forms and making unnecessary telephone calls.

He said: "These people are

taking huge amounts of money from vulnerable people. They know there's a massive market and money to be made. A consultant can set themselves up overnight and do not need any qualifications or training."

Mr Moraes added that he welcomed the decision to abandon the primary purpose rule.

Under the changes announced by Mr Straw, spouses applying to live in the UK with their British husband or wife will

no longer have to prove that their main purpose is not the gaining of access to this country.

Mr Straw said: "This pernicious rule has penalised genuine marriages, divided families and unnecessarily increased the administrative burden on the immigration system."

Applicants will still have to show that the marriage is genuine, that both parties have met, and that the couple are financially self-sufficient. They will

also be a year's probationary period.

The Home Office is also looking at ways of making the immigration system fairer for people wanting to visit Britain for weddings and funeral.

In a further development, the Home Office plans to tighten up the issue of birth certificates after a number of cases in which criminals have fraudulently used them to assume a false identity.

Boardroom cowboys to be targeted

Kathy Marks

Cowboy directors whose companies fail through dishonesty or negligence – leaving customers financially devastated – are to be targeted in a new crackdown. Nigel Griffiths, the consumer affairs minister, announced yesterday.

Mr Griffiths was presenting the annual report of the Department of Trade and Industry's Insolvency Service, which shows that 1,140 directors were disqualified by the courts in the last financial year, a rise of 43 per cent on the 727 directors banned in the previous year.

Mr Griffiths said there would be no respite under the new government for unscrupulous business people.

"I want to spell out to the cowboys that Labour is going to be even tougher on them in future," he said.

"My message to people who are ripping off consumers is that there is no place for you in British business."

He added that he planned to "name and shame" rogue directors who had been disqualified, in the hope that publicity about their actions would deter other fly-by-nights.

DTI officials say that areas of business in which companies most frequently collapse include the building trade, plumbers, double-glazing salesmen, car mechanics and cloth-

ing companies. Among examples given by the department yesterday was that of Sharman Communications, a travel agency and tour operator that went into voluntary liquidation in July 1994, after only four months of trading.

The company, which ran up debts of £49,000, had advertised cheap summer flights in newspaper travel sections.

Most of its 700 customers had yet to take the holidays and lost their deposits. The two directors were disqualified in the High Court from holding other directorships for 12 years.

The Insolvency Service, which investigates failed companies with a view to bringing disqualification proceedings in the courts, took action against 1,430 directors last year, compared to 1,395 the previous year.

Directors can be banned for between 2 and 15 years for unfit conduct.

Mr Griffiths said consumers were particularly vulnerable when directors of an insolvent company continued trading or when a "phoenix" company rose from the ashes of a failed one, using its assets.

"We want the Insolvency Service to be very much focused on protecting consumers and other creditors, and not in any way to be defending the rights of unscrupulous traders and business people," he said.

Dame Ninette, queen of the Royal Ballet, still leads the dance at 99



A dance to the music of time: Dame Ninette de Valois, dancer, teacher and choreographer, at rehearsals in Covent Garden, where she was principal dancer at the Royal Opera House in 1919; in 1931 she founded the company which was to become the Royal Ballet. Affectionately known as 'Madame', she celebrates her 99th birthday today. Photograph: Laurie Lewis

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international

Argentina backs off Falklands claim

The Foreign minister tells **Phil Davison** his views of new Labour

Buenos Aires — Argentinian Foreign Minister Guido di Tella has hinted that Argentina wants to shelve its claim to sovereignty over the Falkland Islands and instead seek concrete agreements on trade, tourism, communications and other contacts with the islands.

"We are very flexible. Probably what you think we want, we don't. Maybe the things we want are the things you [Britain] will yield," he said.

"We do not want to run the lives of the islanders. If an agreement is found, I imagine the islanders would hardly notice."

Mr di Tella said he would suggest to the Foreign Secretary, Robin Cook, that they establish regular meetings at the Foreign Secretary's official residence at Chevening or elsewhere. A meeting with Mr Cook had been scheduled for next week; but it has been postponed due to the Foreign Secretary's busy diary.

The comments follow a meeting earlier this year between Mr di Tella and Malcolm Rifkind, the then Foreign Secretary, where diplomatic sources say the idea of dropping the Argentinian claim was discussed, but did not come to fruition.

"We had a very important meeting in Chevening in January," the Foreign Minister said in his first interview with a British newspaper since Labour's victory. "But it was very near the election so we didn't have time to spell out the positive consequences of that meeting. It was too short a meeting, I think they understand better our views and limitations, and vice versa."

"I hope we will be invited again to Chevening. I had also suggested to Mr [Malcolm] Rifkind [the former Foreign Secretary] that we have week-long meetings on a beach on a beautiful Caribbean island."

Contradicting recent Argentinian press reports, he said he did not foresee a major shift in Falklands policy by the Labour government and would not push Argentina's claim to sovereignty during his talks with Mr Cook. "My aspirations at the first meeting will be much more modest. "We are fully aware that no British



Keep the flag flying: The Queen's birthday parade in Stanley. Falkland Islanders are resistant to the idea of contact with Argentina

Photograph: Andrew Marshall

government will ever take a substantive decision on this issue without the approval of the islanders. The islanders have acquired a *de facto* veto. It's them we have to convince" of the benefits of contacts with Argentina.

However, the islanders are highly resistant to the idea of contacts, and they will hold elections to their legislative council later this year. But diplomatic sources say that they do not rule out some pressure from the Government in London on the Falklands to ease the ban on contacts with Argentina.

"I think we [Britain and Argentina] will reach a plateau relatively soon where we agree to disagree and we allow trade and communica-

tions [between Argentina and the islands].

"Britain invented this idea. You agree that disagreement exists and you shake hands. It's a non sequitur, it's just not logical to think that because we want tourists to go back and forth that we are talking about the issue of sovereignty," said Mr di Tella.

Aides to the Foreign Minister, however, later noted that he is acutely aware of not embarrassing the Labour government or giving the conservative opposition ammunition that could delay progress in efforts to reach a Falklands solution.

Press reports earlier this year saying Argentina expected more flexibility from a Labour government

backfired from Argentina's point of view and brought a tough rebuttal from Tony Blair's government, the aides said.

"The change in government has meant no change whatsoever in policies. The only difference is that Labour has a majority of over 100 in parliament," Mr di Tella said. "In policies we don't see any difference between the Conservative Party and the Labour Party."

"Some people in my country thought that a Labour government would be softer but they were thinking of the old Labour. The new Labour's policies are more similar to the Conservatives" than most people are aware, Kinnoch's Labour may have made a difference but Mr

Blair's Labour party is more similar to Conservative policies."

When he met the then shadow Foreign Secretary earlier this year, Mr Cook "made it clear, on this [Falklands sovereignty] issue, he would not change British policy. I said all I hope is that you continue British policy. We advanced quite a bit with the Conservatives."

The Foreign Minister said he hoped the Blair government would go ahead with John Major's invitation for the Argentinian President, Carlos Menem, to visit Britain officially for the first time, hopefully next year. "President Menem has visited every important country in the world except Britain," he said.

He also pressed for progress on

the Falklands issue before 1999, when Mr Menem — barred from running again — will hand over to a new president. "There probably will be a continuation of the same policy but, if anything, the (Argentinian) line will be harder," he warned.

Mr di Tella described the new British Foreign Secretary as "very sharp, very intelligent, he goes very quickly to the point. I've met him twice before, the last time a month-and-a-half before the elections."

Mr di Tella, known for his so-called "Charm Offensive" of sending Christmas cards and other messages to the Falklanders, is considered aloof and arrogant even by Argentinians. He refused to accept that the Falkland Islanders can't

stand him — "they're under peer pressure to say they dislike me but eventually they'll come to appreciate me" — and suggested the Union flag meant less to Britons or Falklanders than his own flag does to Argentinians.

He would not be drawn on Mr Menem's past remarks that the Argentinian flag would fly over the Falklands, even if alongside the Union flag.

This matter of flags. You can go in London and buy panties with the Union Jack. If you do that here with ours, you go to prison for lack of respect," he said, appearing to imply that seeing his flag over the islands would be more symbolic than significant.

Mr di Tella, Foreign Minister for the past six years, compared the lack of communication between Argentina and the islands with the situation between the Koreas or between Taiwan and China. "This position, unfortunately, doesn't give the islanders a good image. In a world where everybody wants to talk to everybody else, some people don't want to talk to a neighbour."

"It's difficult to hate for ever. It's very tiring and then you find you are very tired and you don't know why you hate. It's a bit pitiful, really." He described the islanders as "indeed part of the problem but a significant part of the solution".

Migrants change their minds about Australia

Robert Milliken
Sydney

A warm love affair between Hong Kong immigrants and Australia has turned cool. Less than four weeks before Britain hands Hong Kong over to China, thousands of Chinese are packing their bags to leave the lucky country, convinced they can make more money back in the former British colony, even under communist rule.

"When Margaret Thatcher announced in the Eighties that Britain would give up Hong Kong, it was fashionable to emigrate, to get out," said Owen Yue, 40, a transport planner who arrived in Sydney from Hong Kong in 1990. "Now, it's the fashion to go back."

The figures tell their own story. From being almost a non-starter as a source of Australian immigrants a few years ago, Hong Kong last year was the fourth largest source country after New Zealand, Britain and China.

But, in the six months to last December, just as the handover deadline loomed closer, applications to emigrate to Australia dropped by one-third.

And even those granted Australian residency had already begun testing the waters back home. According to the Hong Kong Trade Development Council, a Hong Kong government body, almost one-third of

the 100,000 Hong Kong community in Australia went back to the colony to work last year, while returning their Australian passports.

The immigrants of the Nineties are a different breed from the first wave of Chinese drawn by the Australian gold rush of the 1850s. In the intervening years came the White Australia immigration policy which barred non-Europeans until it was abolished only 25 years ago.

The latest wave of Hong Kong immigrants are highly skilled professionals and rich business people, who are expected to transfer about A\$780m (£370m) from Hong Kong to Australia this year. Much of this will be invested in

properties such as the high-rise apartment buildings that are changing the skylines of cities like Sydney and Melbourne, or in restaurants such as the Shark Fin in Sydney's Chinatown, an establishment so vast that the waiters communicate with each other on walkie-talkies.

But for many professional people, such as lawyers, engineers and accountants, job prospects have been disappointing in Australia, where unemployment has not fallen below 8 per cent since the recession of the early Nineties. Drawn to Australia for its political stability at a time of uncertainty in Hong Kong, these people have decided that life in Hong Kong is likely to go on as

normal after 1 July, at least for a few years, and are going back to realise their earning capacity, leaving their families behind in Australia.

Lawyers, for example, can make up to six times more in Hong Kong than in Australia, where tax is lighter. "A common refrain is that Australia is the best place to live, but not the best to make money," said Catherine Chung, a Hong Kong-born Sydney solicitor.

A more unsavoury impact on Hong Kong immigration has come from the rise of racial politics in Australia, led by Pauline Hanson, an Independent MP from Queensland. Since her election to federal parliament last year, Mrs Hanson has waged an increasingly bitter and polarising campaign against Asian immigration, welfare to Aborigines and foreign investment.

The Australian press have attacked John Howard, the prime minister, for failing to repudiate Mrs Hanson strongly enough. Her simplistic brand of xenophobia and nationalism has drawn large crowds at her speaking engagements, especially in depressed rural areas. It has also caused alarm in Asia, particularly in Hong Kong, where some prospective immigrants have added the "Hanson phenomenon" to their list of reasons to think twice about emigrating down under.



Unwelcome message: John Howard (left) has been attacked for being too soft on racist MP Pauline Hanson

Peking names top envoy for HK

Reuters — China yesterday announced the appointment of seasoned diplomat Ma Yuzhen as its top civilian official in Hong Kong after the British colony reverts to rule by China at midnight on 30 June.

Peking had decided to appoint Mr Ma as Commissioner of the Ministry of Foreign Affairs of the People's Republic of China in the Hong Kong Special Administrative Region from 1 July, a ministry spokesman said. Mr Ma and the garrison commander, General Liu, Zhenwu, will be Peking's most senior officials in Hong Kong after the handover.

Hong Kong's domestic affairs will be run by Hong Kong residents after the handover, but foreign affairs and defence will remain

the central government's turf. Mr Ma, 62, has been vice-minister of the Information Office of the State Council — or cabinet — since 1995. He served as Chinese ambassador to Britain in 1991-95, consul-general in Los Angeles in 1988-91, and director of the Foreign Ministry's information department in 1984-88. "Ma Yuzhen belongs to the new generation of diplomats ... He's open-minded," said a former diplomat. China's old generation of diplomats consisted mainly of generals and bureaucrats.

In 1995, Hong Kong's *South China Morning Post* described Mr Ma as "the sort of Chinese diplomat Western capitals love to play host to, affable, charming and not averse to talking quietly off-the-record with

politicians and businessmen". He was a "well-liked senior diplomat, a favourite of Lady Thatcher," the *Post* said.

The Hong Kong government welcomed the announcement. "The community will be glad that the appointment of Mr Ma Yuzhen has been announced," the government said in a statement. "Hong Kong people will no doubt be interested to hear more details of the establishment of this new office, including the size of its staff and its functions," the statement said.

Young Sum, vice-chairman of the Democratic Party, said Mr Ma's diplomatic experience in London and his understanding of the handover issues made him an appropriate person for the job.

Impotent force behind

claim

Keep the flag flying. The Queen's birthday parade in Stanley, Falkland Islands, is resistant to the idea of contact with Argentina.

US chief of defense calls time on scandal

Mary Dejevsky
Washington

In a decision likely to arouse as much controversy as it is intended to stem, the United States defense secretary, William Cohen, has moved to prevent the accumulating revelations about sexual misconduct in the US armed forces from cutting a swathe through the ranks of senior officers.

Confirming that his favoured candidate to become the next chief of joint staffs, General Joseph Ralston, committed adultery during his meteoric air force career, Mr Cohen said he had decided to stand by the general's candidacy.

In an interview published in the *Washington Post*, Mr Cohen – who has strongly defended the enforcement of rigorous moral standards in the armed forces through the past scandal-ridden weeks – said that it was time to draw the line. "We need to come back to a rule of reason instead of a rule of thumb."

General Ralston has admitted to having an affair with a CIA agent 13 years ago while separated from his wife. He is now divorced and remarried. Reporters investigating the case have established that the general did not inform his military superiors of the affair and it was never the subject of disciplinary action – although it was common knowledge among his colleagues, one of whom described it as "flagrant".

Mr Cohen, who described General Ralston's affair as "a human error" that was outweighed by his sterling 32-year record, admitted that the decision to stand by the general put him in "a very difficult situation".

The commander at a major army training centre and a director at the same establishment were forced into early retirement this week after ad-

mitting adulterous affairs in years gone by, and other senior officers are under investigation.

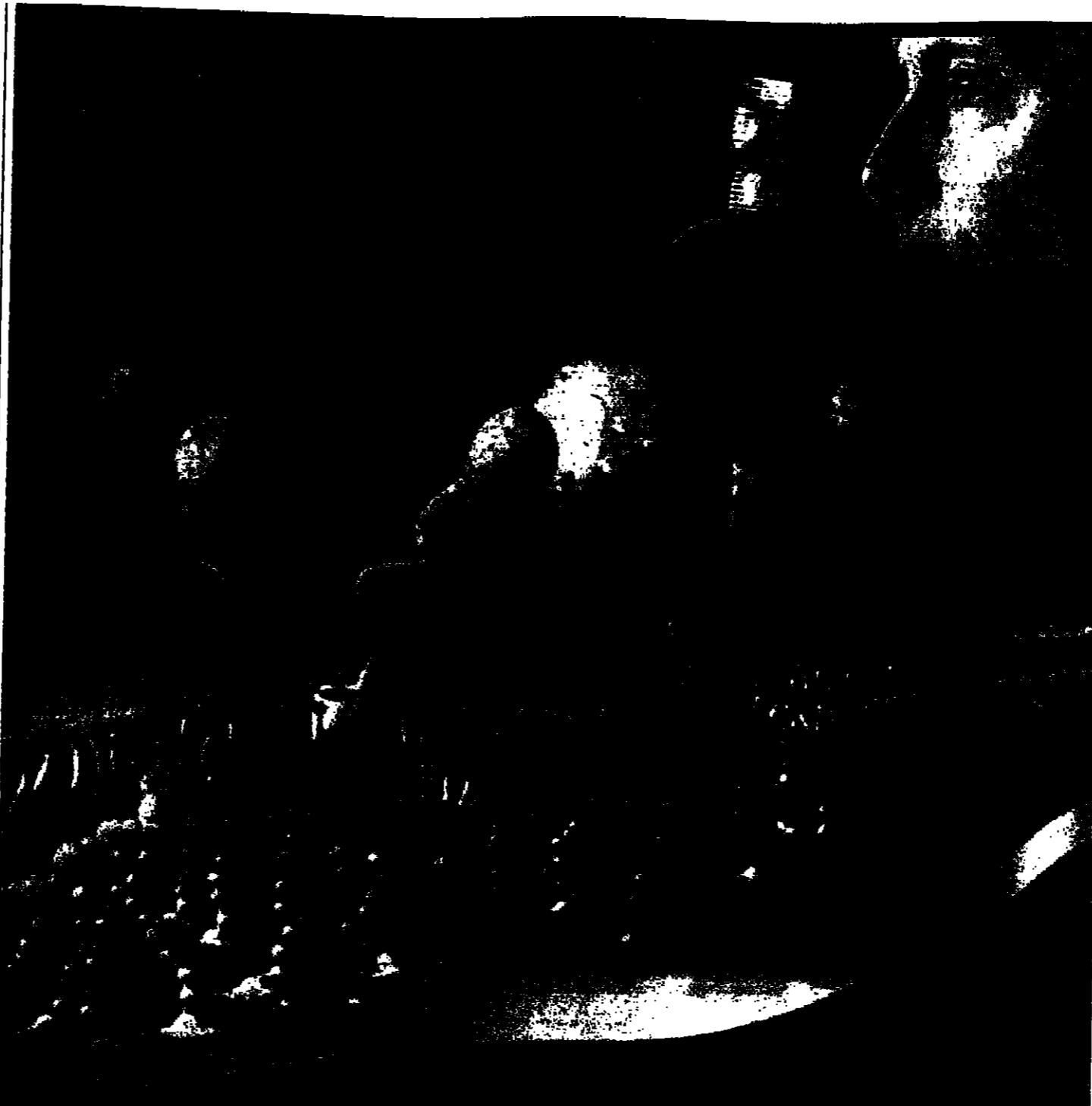
The previous week, in a highly publicised case, Lieutenant Kelly Flann, the air force's first female B-52 bomber pilot was given a general discharge in lieu of court martial after admitting an affair with a married civilian and disobeying an order to break it off. Her lawyer claimed that the military observed double standards and tended to turn a blind eye to the sexual dalliances of senior (male) officers.

These cases came amid a spate of courts martial in which male officers are accused of sexually harassing female subordinates. Yesterday, an army sergeant at the US base at Darmstadt in Germany became the first US soldier serving outside America to be convicted of sex crimes, when he was sentenced to two years in prison for indecent assault and other offences.

The jury gave Davis a dishonourable discharge but cleared him of six rape charges, one count of sodomy and other assault charges brought forward by 15 current or former female soldiers. Prosecutors had asked for a minimum sentence of five years for Davies, whom they called a "sexual predator" who used his rank to get sex.

Davies told journalists that he felt betrayed by the army and also by US civil rights leaders, to whom he had appealed for help in the case. "Race was indeed an issue," Davies said. "This was a witch hunt."

Although Mr Cohen says he supports General Ralston to succeed General John Shalikashvili when he retires as chief of the joint staffs in September, the candidates' list is not closed. The White House, perhaps sensing new political difficulty in the nomination, which must be approved by the Senate, said no final decision had been taken.



Quick diagnosis: Artist's impression of the inner workings of the first nanomachine (held, inset, by its Australian inventor Dr Bruce Cornell), which will enable doctors to test for virtually all known diseases in minutes from a drop of blood or saliva. Photographs: AFP/Reuters

Drug lord is extradited to America

Matthew Chance
Bangkok

Li Yun-Chung, the man suspected of having masterminded the biggest shipment of heroin ever seized in the United States, was extradited from Thailand yesterday amid tight security, leaving behind him a bribery scandal which has shaken the Thai judiciary.

Dressed in a bullet-proof strait-

jacket and flanked by commandos wielding automatic weapons, Li was escorted on to a US Air Force flight for New York, where he will stand trial on charges of shipping 486kg of pure heroin from Burma. The narcotics, with an estimated street value of \$122m (£75m), were seized by Californian customs officials in 1991.

For years the close confidant of the Burmese opium warlord, Khun Sa, Li Yun-chung – a Burmese born

ethnic Chinese with residency in Thailand – was at the centre of "Golden Triangle" heroin production in South-east Asia. His indictment for trafficking in the US made him one of the world's most wanted men until his high-profile arrest in Bangkok last year.

The controversial decision by a senior Thai judge, Somchai Udomwong, to grant Li bail during an unscheduled hearing led to wide-

spread allegations of bribery. The allegations intensified when Li jumped bail and escaped to Burma to avoid extradition to America.

He was eventually returned to Thailand custody last month, fueling political controversy by threatening to go on record saying exactly how he was granted bail.

"This is becoming extremely embarrassing for the Thai government," said one diplomat.

Christopher Bellamy
Defence Correspondent

The new High Representative overseeing the uneasy peace in Bosnia yesterday threatened to punish anyone harbouring Bosnian war criminals who are supposed to be handed over to the International Tribunal in the Hague, signalling a hardening of the international community's attitude.

In the toughest warning since the Dayton accord was signed 18 months ago, ending the three-and-a-half year war which claimed an estimated 200,000 lives, Carlos Westendorp said he would start by trying to persuade the authorities in the two entities within Bosnia, and in Serbia and in Croatia, to hand over indicted war criminals as required by Dayton.

So far, of 75 indicted war criminals, the only people brought before the court have been a Bosnian Croat who gave himself up and a Bosnian Serb, Dusko Tadic, who was seized by German police. Another seven await trial.

The most wanted men – Bosnian Serb war leaders Radovan Karadzic and Ratko Mladic – are still at large in Bosnian Serb territory. The Nato-led Stabilisation Force – S-For – is under instructions to detain wanted men if it has any chance upon them, but it never does.

Of the former warring factions, only the Bosnian Muslims have shown any inclination to hand over wanted men.

Mr Westendorp, a former Spanish foreign minister, takes over from former Swedish prime minister Carl Bildt on 20 June, and yesterday indicated he was going to take a much tougher line. "The second option is pressure," he said in Madrid yesterday. "Those who fulfil the commitments will have our support and those who do not, will have no support at all".

US Secretary of State Madeleine Albright went further, demanding that Croatia and Serbia to stop "stonewalling".

Mr Westendorp said the resolution of the war criminals issue was crucial to maintaining the peace in Bosnia. Dayton was supposed to create a model for a multi-ethnic country, but so far the boundaries between the former warring factions have solidified.

"We cannot deviate from Dayton. We must not", Mr Westendorp said. "Coexistence among the communities is not possible unless this issue of war criminals is solved".

Immediately after the accord, the peace implementation force took the view that peace was more urgent than justice, and that attempts to seize indicted war criminals would be resisted.

But after 18 months, most of the wanted men remain free, and progress towards implementing Dayton has been far too slow.

The US is determined to move its troops out before the deadline of July 1998. But Britain's new Foreign Secretary, Robin Cook, is among many Europeans who favour keeping forces there for a longer period.

Impotent peace-keeping force bemuses Albanians

Despite the mayhem, elections will go ahead, writes Andrew Gumbel

without the escort of two armed men.

So what purpose, if any, do the soldiers serve? "They came for nothing," said Neritan Cela, leader of the small Democratic Alliance opposition party, reflecting widespread public opinion in Albania.

They are costing the international community between two and three million dollars a day, but I can't even go and talk



to my constituents because I would need five cars and an arsenal of Kalashnikovs, which I don't have.

"What we need for the election is blanket observation, but now we hear complaints that the international community doesn't have the money to mount such an operation."

The election preparations tell their own tales of woe and organisational mayhem. The international body most closely involved in this is the Organisation for Security and Cooperation in Europe (OSCE), whose special envoy, Franz Vranitzky, spent most of the first half of May trying to negotiate an electoral law acceptable to all sides.

Mr Vranitzky, the former

Partly because of the situation on the ground and partly because of the weakness of the transitional Albanian government, deadline after deadline is being missed in the run-up to the election; as a result, the international community is ever more reluctant to commit large resources to an election that looks like being a qualified success at best. Mr Cela's hopes of blanket monitoring are thus evaporating, and even OSCE officials admit that more remote areas simply won't be observed at all.

Not all the signs are negative, however. Last year's elections were subject to blatant fraud largely because the outside world did not care and because President Beqja, then solidly in power, managed to use the police and secret police to rig every aspect of the vote from registration through to the final results.

This time the world does care, even if it does not always know why, and the presence of the multinational force and other observers will almost certainly have a restraining effect on subversive elements.

Much of the gloom among Albanians is due to the understandably scant faith they have in their own political process and the perception that the international community is not doing enough to take matters into its own hands.

"They want us to take over, but that's not our job. These are Albanian elections after all," said Hans Peter Kleiner, a highly experienced OSCE election observer.

There are signs that the Albanians are now growing more confident about their prospects. All talk of boycotts by the opposition, for example, has ceased.

"What people in Albania have to understand is that there can be no stability without elections, not the other way around," said Gramoz Pashko, a former government minister now in exile in the United States.

"No matter how distorted and unsatisfactory these elections are, they are the only way to get out of the impasse."

international

Net closes on Bosnia war-crime fugitives

Christopher Bellamy
Defence Correspondent

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obituaries / gazette

Ronnie Lane

"Short and sweet" is how Ian McLagan, fellow member of the Small Faces, remembers his old friend Ronnie Lane, the bass player and singer who co-wrote some of the group's greatest hits.

Lane was indeed one of the funniest, sweetest and most entertaining personalities in a music business not noted for its humility. Not that Ronnie "Plonk" Lane was ever humble. He just couldn't take pretensions rock attitudes seriously. He was a man whose eyes crinkled up when he laughed, and whose tiny frame shook when tears of mirth poured down his cheeks.

Lane partnered Steve Marriott in the Small Faces, the band of East End mods formed in 1964, who created such classic hits as "All Or Nothing", "Lazy Sunday" and "Itchycoo Park". While Marriott unleashed the fire and the restless energy, Lane was his trusty sidekick who provided the Cockney humour and love of word-play. Between them they made a great team, laughing and yelling their way through the Sixties with boundless energy. When Marriott quit the group in 1969 to form Humble Pie, Lane teamed up with Ian McLagan on keyboards and the drummer Kenny Jones to form the Faces.

Their bar-room rock formula was a hit with songs like "Stay With Me", and the Faces toured successfully for some years until Lane, tired of the champagne lifestyle, finally took the plunge to go solo. He left Stewart, formed his own down-to-earth group Slim Chance and took the band out on the road in a rock'n'roll circus called the Passing Show. They moved from town to town playing under a huge marquee, employing jugglers, acrobats and what Lane eventually dubbed "the world's unfinest clowns".

Lane enjoyed two chart hits with "How Come" and "The Poacher" in 1974, and invested in his own mobile studio which

he located on a farm on the Welsh borders. He even studied agriculture and planned to be a farmer. His excellent folk-flavoured band included Benny Gallagher and Graham Lytle, and Lane sang lead vocals a style that was closer to Bob Dylan than Steve Marriott. He released a selection of warm, pleasantly low-key albums including *Anymore For Anymore* (1973), *Ronnie Lane's Slim Chance* (1974), and *One For The Road* (1975). The latter featured a superb panoramic photograph of Lane's farmhouse surrounded by a cavalcade of buses, caravans and trucks, with the diminutive Lane waving from the foot of a hill.

Lane loved touring, but the idyllic concept of the Passing Show eventually ground to a halt, stymied by bureaucracy and rising costs. Lane lost a fortune and underwent two divorces which resulted in him becoming estranged from his children. But he never lost his love of playing his favourite kind of good-time music. The one-time mod who had relinquished his Carnaby Street look in favour of a beard, neckerchief and waistcoat was always a bit of a gypsy.

He was born in 1946 in East London. Kenny Jones knew him from the time he left school and was working as a plumber's mate to pay for his guitar. "We got together and started a band called the Outcasts." When Lane decided to switch from guitar to bass he and Jones went to a local music shop in search of a new instrument. "This cocky little guy served us and he ended up to be Steve Marriott," recalled Jones.

The pair invited Marriott to a pub gig that night and when he got up on stage he jumped all over the pub's piano, breaking the keys. "The landlord threw us out, the group broke up and we ended up with just me, Ronnie and Steve sitting on our equipment on the pavement. We looked at each other and burst

out laughing, and that was the birth of the Small Faces. If I hadn't met Ronnie Lane first the band wouldn't have happened."

The Small Faces got caught up in the whirlwind of the Swinging Sixties and Lane enjoyed his share of drink, drugs and mayhem. But he was always quieter, more sensitive and less aggressive than Marriott. He developed a genuine interest in Eastern mysticism. But when the band found that he had set up a shrine in his dressing-room with a peach and a scroll, as Marriott later stated: "We ate the peach and burnt the scroll!"

Lane also studied the teachings of Indian mystic Meher Baba and shared his interest with Pete Townshend of the Who. The pair recorded a well-received album together called *Rough Mix* (1977), written in the spirit of Baba, which included a performance of Don Williams's "Till The Rivers All Run Dry". This effort was followed by one more solo album *See Me* (1979), which featured such tunes as the jolly "One Step", and "Kuschi Rye".

But Lane was unable to develop his musical career any further, having developed multiple sclerosis. He was first diagnosed in 1977 when he showed loss of muscle control. Jones described how: "He seemed very forgetful, slurred his words and tripped up a lot. We accused him of being drunk and of having a secret tipple, but he wasn't of course."

Lane had dreading for some time that he might be susceptible to MS as his mother suffered from the same disease.

Jones and Lane used to carry him up and down the stairs at the block of flats she lived in the East End. Tragically Lane had to suffer for many years before he died. When Jones telephoned Lane up and told him that Marriott had died in a fire at his Essex home, in 1991, "the first thing he said was: 'I'm jealous.' He meant that."

Having lost most of the money he earned with the Faces, Lane found himself not only broke but unable to earn a living. Several attempts were made to raise money for him. In 1983 a special charity concert was held at the Royal Albert Hall in London, which featured Eric Clapton, Jeff Beck, Jimmy Page and members of the Rolling Stones. Lane asked



Good-time music: Lane (far left) with the Small Faces, 1966; left to right, Kenny Jones, Steve Marriott and Ian McLagan; plus the model Sally Noel. Photograph: Hulton Getty

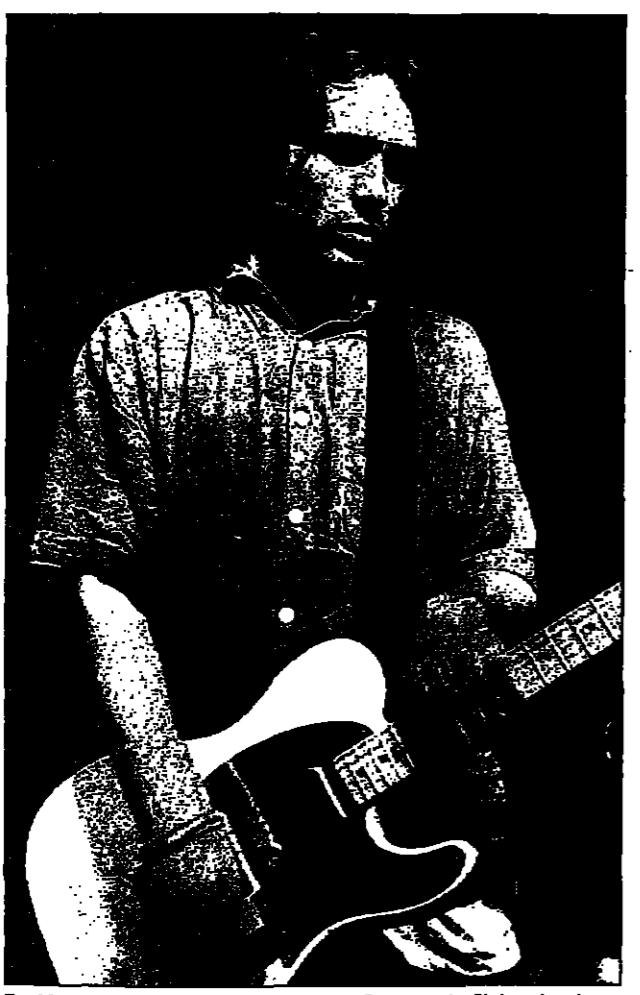
that some of the money raised be donated to research, to find a cure for MS, and Action Research For Multiple Sclerosis (Arms) was formed. The Arms concert was a big success and the whole package later toured America. Lane himself toured America, sang a moving version of "Goodnight Irene", Jones made continuing efforts to raise more money to pay for his treatment, and battled to get Lane royalties from past Small Faces records.

In 1996 he organised a special tribute album, *A Tribute to the Small Faces long ages and worlds apart*, starring Paul Weller, Primal Scream, the Buzzcocks and Ocean Colour Scene which raised £50,000 for Lane

who was by now living in poverty in Austin, Texas with a nurse who later became his wife. He moved to Colorado in search of a better climate but was soon confined to a wheelchair. His condition deteriorated to the point where he was unable to speak or move. He tried many different treatments including homeopathy and even injections of snake bite venom. He used to joke to friends who asked how the treatment was going. "Well a mosquito bit me this morning - and it died."

Chris Welch

Ronald Lane, singer and bass guitarist, born London 1 April 1946; married three times (two sons); died 4 June 1997.



Buckley: soaring, yearning vocals

Photograph: Christopher Jones

BIRTHS

BEASLEY-CASALAZ: Cath Beasley and Dan Casalaz are delighted to announce the safe arrival of Emma Louise Casalaz, on 28 May 1997. A beautiful sister to Sam, born 22 March 1997, and son, Jacob Sean, on 22 March 1997.

NORMAN: On 3 June, 11 Naxis (née Shulman) and Constantine, a son, Thomas Henry Winston, brother for Siobhan and John.

TRAPP: To Roger and Deirdre, on 28 May, Lucinda Maeve, a sister for Georgia and Olivia.

DEATHS

CROWDEN: Dr Andrew, OBE FRCP, who made a significant contribution to the medical services in East and West Africa, died on 12 May. He was much loved brother of Guy, Jason, Pendle and their families. Private cremation on 9 June. Memorial Service, 24 June, at St John's Church, Stamford Hill, London N17. Family flowers only please, donations to Gudrun's Royal Benevolent Society, c/o Stoodley's F.D.C., Chertsey, Surrey KT18 7LU. Telephone 01494 73229.

ESTWOOD: Cuthie, beloved daughter of John and Bessie and sister of Alice, Noreen and Philip, aged only 19, in 2 June, in a road accident. Funeral service at St James the Great, Stowesfield, on Wednesday 11 June, at 2.30pm. Garden or wild flowers only please. Donations if desired will go to AIDS orphan fund in Kenya. Cheques should be made payable to "Cuthie Estwood Memorial Account" and should be sent to the family at The Woodstock, Stowesfield.

ROYAL ENGAGEMENTS

The Queen visits the Liverpool area, East Sussex. The Duke of Edinburgh visits a construction site operated by All Star Utilities Company, Washington, DC. The Queen and Prince Philip, accompanied by the Duke of Edinburgh, attend a meeting of United Round International at the Army and Navy Club, Washington DC. The Queen and Prince Philip attend "There Be Light" at the Library of Congress, Washington DC. The Prince of Wales visits Fonthill Abbey, Wiltshire Royal, near Ripon, North Yorkshire, and makes a speech at a reception in Ripon.

Births, Marriages & Deaths

Birthdays

King Albert II of the Belgians, 63; Sir Derek Alun-Jones, former executive chairman, Ferranti International, 64; Sir Isaiah Berlin, former president, the British Academy, 86; Professor Brebels Bleaney, physician, 82; Mr David Blunkett MP, Minister of Education and Employment, 50; Ms Björn Borg, tennis player, 41; Lord Carrington, director and former chairman, Christie's International, 78; Mr David Chipp, former director, Reuter Foundation, 51; General Washington Street, Brighton, on Tuesday 10 June at 1.15pm. Enquiries to Christopher Street Funeral Services. Telephone 01273 306000.

ROBERTSON: On 3 June 1997, after a long illness, born with great courage, Alan Dearly loved his wife, Sheila, father of Clare and Andrew and grandfather of Adam.

Funeral service at St Luke's Church, Stamford Hill, London N17, on Friday 13 June, at 12 noon. Family flowers only but donations, if desired, to Marie Curie Cancer Care & Potton's Funeral Service, High Street, Sidcup, please.

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Literary prizes: you just can't put them down

This is getting silly. The Orange Prize for fiction by women, awarded this week to the Canadian writer Anne Michaels, has itself been shortlisted for a prize for the best sponsorship of the arts by business. There are now more than 300 literary prizes in the British Isles, nearly one for every day of the year. There are prizes for painting, drawing, sculpting, installing and displaying people as exhibits, not to mention music, film, theatre and any other non-functional human activity that business people in suits can be persuaded is Art. And now there are prizes for prizes.

It is all part of the sea-change in the relationship between business and the arts over the past 15 years. Over the two decades before that, from the mid-Sixties to the mid-Eighties, the arts got used to the idea that the state would have a role in funding new work. What was seen as worthwhile was often anti-commercial, oppositional, experimental, and respectable businesses would not want to be associated with it, ran the train of thought. So the taxpayer should pay for what was deemed necessary for society's cultural health, as if the vast majority of taxpayers would be sympathetic or even interested.

In the United States, taxpayers tick a box on their annual tax return if they think \$3 of their taxes should go to pay for the election campaigns of presidential candidates. Hardly anybody in

the home of democracy ticks "yes". If we tried a similar scheme in the UK for public funding of the arts, the response would probably be about the same.

So the Arts Council built an edifice of committees of the Great and Good (Luvvies Section), informed by an unstable mix of backward-looking traditionalism and fashion-prone radicalism, in the vacuum where popular support should have been. But many in the arts resisted the advent of big-league business sponsorship on the grounds that it would be worse. It was the thin end of the wedge, it was argued. Companies would only support "safe" and unadventurous work, then they would try to censor what they sponsored. The next thing would be Hamlet coming on stage with the sponsor's name on the back of his jacket, or adding the words, "Brought to you by Bigco International" to the end of his soliloquies.

It has not happened. In the theatre and opera particularly, sponsorship has been the kiss of life, and on the whole tastefully done. Arts sponsorship is big business, and big companies clearly think it is good for business.

It is in the literary field that it all seems to be getting out of hand. Every big-name company seems to want its big name on a prize. One group of arts journalists was recently invited to discuss the subject by a public relations company carrying out research for a British multinational. Only after their



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tape-recorded discussion, for which they each received £50 in a brown envelope, were they told the name of the client, which was thinking of sponsoring yet another cultural prize.

Other companies have not handled their public relations so forcefully. The NCR non-fiction prize last month descended into such farce that it is hard to think that anyone would want to buy a cash register from the company, let alone buy a book with the "NCR prizewinner" flash. The company admitted paying professional readers to sift through entries so that judges would only be asked to do a little light reading.

Some companies have been keen to take their names off prizes. The Orange prize was originally sponsored by Mitsubishi, which pulled out after Simon Jenkins had a go at female separatism in a *Times* column (the actual £30,000 prize money comes from an elderly anonymous donor in the US). And some prizes have failed to generate any publicity. The IMPAC literary prize is the richest in Europe, worth £100,000, but no one has heard of it – mainly, it seems, because the American management services company bases its European operation in Dublin. It was won this year by a Spaniard, Javier Marías.

Literary prizes have been devalued as credible judges are spread ever more thinly over the ground. There are tales of judges failing to take competitions seriously, of corruption, cronyism and hype. Prizes have become dates in a social "season", rather than tests of literary merit.

So there is a good case for calling a halt to the circus. But before donning the hair shirt, let us remember that not everything ridiculous should be banned. At least these dinners give budding authors the chance to get out a little and rub shoulders with brewers, mobile-phone operators and agrochemical manufacturers in the real world.

But there is also a natural law about these things. Public and journalistic interest in the prizes caravan will subside, and what will remain will be the few prizes of real literary value. The Booker, founded in 1969 and strongly promoted for many years by Sir Michael Caine, Emma Nicholson's husband, certainly widens the appeal of new literature. The Whitbread prize, almost as long-established, has well-respected category awards for fiction, first novels, children's books, poetry and biography. These are worthwhile prizes because they persuade large numbers of people to read good books.

Businesses will also go on finding new ways of sponsoring new art. It may seem strange, but putting a David Hockney painting on the tail of a British Airways

747 is one way of bringing modern art to a wider audience.

Historically, arts patronage has always been a job for the private sector. Public funding should primarily be devoted to the arts that command public support ("the people's money for the people's priorities", as Labour's Lottery slogan has it). Of course, BA is unlikely to discover and promote talented new artists, but Charles Saatchi, Vivien Duffield and the Sainsbury family can do that. Business sponsorship, meanwhile, will bring good authors and artists to the attention of millions who might otherwise be inattentive. So let them all have prizes.

Research on a sticky wicket

Latest instalment from the Centre for Wishful Thinking Studies: a lifetime of "persistent, moderately heavy" alcohol consumption does not impair cognitive performance, according to new research. Well, the research was conducted among Australians. We watch their soaps, we drink their beers, and it's never done us any harm. Our brains are in the same pristine condition as they ever were. Although we did have a funny hallucination yesterday, when we imagined that England were thrashing Australia at cricket.

Patent law moving in on human genes

Sir: Charles Arthur ("The mouse that roared", 4 June) omitted to mention that under the proposed directive on life patents currently before the European Parliament, both the baby blood case and the Japanese transgenic mouse would be condoned by EU legislators. Despite much controversy over this directive, already rejected once by MEPs in 1995, the European Commission is seeking to extend patent law into an area where it has no place.

Human genes and cells, transgenic animals, genetically engineered plants and seeds would all be treated as basic raw materials for the gene technology industry to exploit, protected from competition by the monopoly rights granted by industrial patent law. The TRIPS/GATT agreement permits the exclusion of patents on animals and plants, but the Commission and the biotech industry have chosen to ignore this.

Nobody wants to prevent genuine medical research, but granting patents on living material is not the way forward. In addition to ethical, philosophical or religious objections to commercial claims to have invented "new nature", there are serious doubts as to whether such research is actively promoted under the patent system. Although there is an inbuilt exemption from paying royalties on "pure" research, any "applied" research or application of the patented technology (and the living material which would be covered by the patent) requires the paid consent of the patentee. In the past, pure research was the preserve of academics. Today both pure and applied research tend to be in the hands of corporate scientists and genetic engineers. Their employers are reluctant to develop and market new products unless they are protected from competition and can avoid expensive patent infringement litigation. There are, however, alternative forms of reward, such as Orphan Drugs protection, which have not been adequately explored.

The Green Group is arguing for the exclusion from patentability of living organisms whilst retaining protection and reward for genuine innovations which may make use of genetic knowledge. This appears to us to be a practical and common-sense dividing line.

NUALA AHERN MEP
The Green Group
European Parliament
Brussels

Legal revenge an affront to victims

Sir: I note with interest your report on the patent granted to Biocyte on the use of umbilical cord stem cells in therapy. This is an area in which the Leukaemia Research Fund is supporting a major research programme at the University of Bristol.

Although the patent in question relates to use of umbilical cord stem cells the umbilical cord is not the only source of stem cells. The essence of bone marrow transplantation is the presence within the marrow of stem cells capable of producing all types of blood cells. New techniques also permit the harvesting of these vital stem cells from circulating blood. The significance of using umbilical cord stem cells is the feasibility of establishing banks of frozen cord blood stem cells. The Leukaemia Research Fund in partnership with the National Blood Authority have recently been awarded a grant by the National Lottery to establish a cord blood bank in Bristol. This will form

a part of a national network of banks. There is further probable benefit in that stem cells from a newborn infant (which are immunologically naive) may not require such exact matching with the recipient as those from an adult donor.

It would be unfortunate if commercial considerations were to block the potential benefits of these new therapeutic options. The Leukaemia Research Fund, along with other interested parties, hopes for a vigorous public debate.

MICHAEL VARCOE-COCKS
Information Officer
Leukaemia Research Fund
London WC1

We can only hope that Jack Straw will reverse the populist and vindictive trend in judicial proceedings and concentrate on measures which will restore confidence in an efficient and impartial judicial system, where criminals are caught, prosecuted and punished by the state. Victims need compassion and, in certain circumstances, counselling and compensation: they should be neither asked nor allowed to get involved in sentencing.

MICHAEL VARCOE-COCKS
London WC1

Sir: Jack O'Sullivan's phrase "the more limited Biblical lines of an eye for an eye" requires some modification.

There is a progression of thought in both Old and New Testaments away from the idea of vengeance towards the original concept that retribution belongs only to God, as stated in Genesis 15:16: "The Lord set a mark upon Cain that no man should touch him." There was a fall away from this principle in the Song of Lamech (Gen. 4:24) – vengeance is now to be seventy times seven. The Mosaic principle of an eye for an eye (one for one) goes some way back towards the original concept. The New Testament gives the judgement of Jesus: "You have heard that they were told an eye for an eye, a tooth for a tooth: what I tell you is this, do not resist those who wrong you ..." (Matthew 5:38).

Both Jewish and Christian tradition argue that to demand retribution is to risk usurping what is

the prerogative of the Creator alone.

The Rev J STRONG
Wrington, Gloucestershire

Sir: Timothy McVeigh "a patriot with a cause" set off his bomb in Oklahoma because he wanted to overthrow the American government. A political act.

Had he escaped to Ireland would the Irish government have refused to extradite him? And, considering its antagonism to the repatriation of IRA suspects, what response would America have expected from the UK if he'd arrived here?

KEVIN LAFAN
London SW9

The tax and benefit systems conspire to discourage working at the lowest levels of earnings. If a typical family receives about £200 per week in social security, an offer of a job of 40 hours a week at £4 per hour, less tax of about £12 per week and expenses connected with working does not seem attractive.

It may be better to change the tax and benefit system than to expect a minimum wage to cover the cost of a family. It is becoming ever more difficult for

breadwinners, married or single, to provide for a family. There are

many families with no jobs or two

jobs and fewer with one job. Society is geared to the two-earner family.

A way must be found to enable

breadwinners to support their

families. Let us hope Frank Field

will provide a concrete approach.

FRANCES SAVIN
Full Time Mothers
Ingleside, Essex

Sir: It is clear from comparative

research that the UK has the lowest

proportion of single parents in full-

time work because it has the most

expensive childcare and the

steepest rate of withdrawal of

benefit as people come into work.

Until these bottlenecks are opened,

Poverty and the two-wage family

Sir: New Labour has been high on rhetoric about poverty ("Blair's pledge to the dark estates", 3 June). We have heard the statistics before. We wonder what are the solutions.

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benefit as people come into work.

Until these bottlenecks are opened,

encouraging single parents to return to work, we will be squeezing the toothpaste tube without taking the top off.

EAR RUSSELL
Liberal Democrat Social Security spokesman
House of Lords
London SW1

Sir: In detailing some of the changes in the workforce in recent years, Diane Coyle writes of the "fact that one in five households does not have anybody in work" and claims that this includes "pensioner households" ("Working towards secure jobs", 29 May).

The one-in-five figure relates, in fact, specifically to non-pensioner households. For the UK the number of non-pensioner households with no working member is around 3.4 million. The number of non-pensioner households is 16.9 million (out of a total of 22.4 million), giving the 20 per cent figure.

PAUL ASHTON
Eastbourne, East Sussex

Sir: Your item on councillors' pay ("Councillors' pay rises by a third", 21 May) referred to Birmingham's spending on allowances for its 117 elected councillors.

The new regulations were, in the Conservative government's own words, designed to "encourage people with a wide range of backgrounds, experience and skills to serve as councillors" and to "allow local authorities to give more adequate remuneration to those councillors with special responsibilities".

The total expenditure on

councillors allowances actually

represents less than 0.04 per cent of

the gross expenditure of Britain's

largest local authority. Payments

equate to around £25 per day per

councillor or just over £1 per

elector per year – looked at either

way this represents extremely good

value and a small price to pay for

the maintenance of local

democracy.

MICHAEL LYONS
Chief Executive

Birmingham City Council

Sad tradition

Sir: Female "circumcision" has been practised for thousands of years, sad testimony that the existence of the clitoris is an ancient part of folk knowledge in much of Asia and Africa. Mateo Colon's main claim to fame ("The anatomy of desire", 3 June) is that he anticipated Harvey by discovering the pulmonary circulation of the blood.

P J STEWART
Oxford

Maggot in brain

Sir: What's this about earworms (Letters, 3, 5 June)? The term for that annoying tune embedded in your brain is "maggot". Hence all those Elizabethan pieces with titles like "Captain Johnson's Maggot". JOHN SMURTHWAITE
Leeds

Just a storm in a Whitehall teacup

Television viewers on Wednesday night were given a rare treat: the delicious episode of *Yes, Prime Minister* in which Sir Humphrey fights to see off James Hacker's solitary political adviser - a battle summed up in this exchange between a plaintive Prime Minister and a soothing Cabinet Secretary: Hacker: "I need someone, Humphrey, who's on my side."

Humphrey: "But I'm on your side. The whole Civil Service is on your side. Six hundred and eighty thousand of us. Isn't that enough to be going on with?"

There is just an overture of this epic struggle in the fracas over the recent appointment of extra political advisers, including Jonathan Powell, the new prime minister's Chief of Staff. Jonathan Hill, a former political secretary to John Major, complains of Tony Blair's "stormtroopers". More purist Whitehall watchers such as Professor Hennessy murmur the word "sleaze". And the idea gets about that, what with that Alastair Campbell becoming his press secretary, Tony Blair is quietly, smistly, "politised".

That is almost exactly the reverse of the truth. He has not only been more scrupulous in dealing with Whitehall than arguably he need have been. He has also seen a precedent which should ensure that in future the Civil Service is rather less politicised than it has been in recent memory.

The Blair team had planned for some time that there should be someone new inside No 10. The type of person was described in the 1996 book by Peter Mandelson and Roger Liddle (now newly recruited member of the beefed-up No 10 Policy Unit) as a "non-ministerial political manager inside No 10, a straight player whose job is to bring together all the political and non-political sources of prime ministerial advice and ensure that the Prime Minister's political strategy is kept on track".

That is sensible. Every prime minister has found in the past that there was a problem in directing the rest of the government without a department of his or her own, and with the main sources of civil service policy locked up within the departments themselves. Powell was the obvious candidate. He is an ex-diplomat who knows the Whitehall machine. Since it was clear that he would inevitably subsume some of the traditional role of the principal private secretary, there was a further question about whether he should in fact be the Principal Private Secretary, who in modern times has been a career civil servant.

That idea was strongly, if politely, resisted by Sir Robin Butler, the Cabinet Secretary and head of the Civil Service. There was, nevertheless, a strong argument in its favour. The PPS has come to be accepted in Whitehall as the PM's main gatekeeper. A senior member of John Major's staff had been convinced before the election that Powell should be made PPS if Labour won. There was nothing written down to prevent it. In the end, however, the Blair team accepted that it would be inappropriate for Powell to take responsibility for small but sensitive issues such as honours, relations



Donald Macintyre

The Civil Service is not about to be politicised. The Prime Minister is right to fight for his own team in No 10

Order in Council.

Sir Robin is an impartial, straight dealer, if a natural, small "c" conservative about the machinery of government. He has certainly bent over backwards to ensure a smooth transition. But his over-zealous champions should remember that even he has had a hard time ensuring that his multiple role of boss of the Civil Service, secretary to the Cabinet, and the PM's most senior adviser, never strayed out of neutral waters.

Was it so wise, for example, for him to carry out those limited inquiries into the allegations against Neil Hamilton and Jonathan Aitken, rather than insist they be done by the Chief Whip? Or to sanction the extraordinary spin operation by government press officers after the Scott inquiry? By making the political jobs overtly political, it protects, rather than undermines, the party-political neutrality of the Civil Service.

Blair has gone out of his way, in a memorandum to Sir Robin, to say how much he intends to value robust policy advice from the Whitehall mandarins. But he is right to beef up the strength of No 10. The electorate couldn't care less about the intricacies of an overblown Whitehall argument. They will care quite a lot if he is thwarted from carrying out his mandate by not being able to get his way over the departmental baronies and their ministers, when it matters.

When Sir Henry Campbell-Bannerman won the 1906 election, in a landslide now routinely compared with 1 May 1997, he appointed three private secretaries. One, the most junior, was a Treasury official. The No 2 had been a working journalist. And the principal private secretary, responsible for relations with other departments and the King, was a man who had stood as a Radical parliamentary candidate in the election, and would take over Sir Henry's seat when the PM died.

And no one batted an eyelid.

with the Opposition, and the transition between two administrations. What sealed the compromise was that it seemed to work: it became clear that Powell could sit in the same office as Alex Allan - the outgoing, Grateful Dead-loving PPS whom Blair admires for the way he handled the transition, without demarcation disputes.

Powell will nevertheless be PPS in all but name. The Allan replacement is likely to be an existing member of the private office staff. And why not? Compare the case of his brother, Sir Charles Powell - who wielded untold power on behalf of Margaret Thatcher, stayed in his private office job much longer than normal, and yet was theoretically supposed to be an independent, utterly non-political civil servant. It was perfectly sensible, for example, for Sir Charles to act as the link between Margaret Thatcher and the group who prepared the Tory manifesto for the 1983 European elections. After all, he knew her mind on Europe better than anyone. Whether it was entirely compatible with the purist view of a neutral, non-political civil service, is another matter. Campbell and Jonathan Powell, by contrast, are set in lights for what they are: transparently political appointments, ratified as such by

High culture? Give me Beavis and Butt-head

by Suzanne Moore

I have seen no more profoundly depressing sight recently than the one I witnessed in a bar in California recently. Two guys in their mid-forties sauntered over to the juke-box and put on Bryan Adams' latest hit, "18 till I die". They ordered another beer and proceeded to sing loudly while punching their hands in the air to the chorus. Eighteen till they die? For maybe three minutes they believed it because they wished it. I wished they were dead.

It's easy enough to talk about the dumbing down, the infantilisation of all culture, especially the *über* culture of America. Critics get cross because *Swan Lake* is being performed in the round, because its purity is lost, while others worry that we are enthralled to *Tiffany and Bianca on EastEnders*. Channel 5 is yet another example of the lowering of our taste. The tabloidisation of not just the press but all our media causes worry. Even Peter Mandelson shedding a sacred tear but not one secret on *Today* was enough to prompt a *Newsnight* discussion. How professional should we be? How low can we go?

No one asks why so much high- or middle-brow culture is so slack, so sentimental, so insular, so predictable, so ingratiating. Every time someone like Lisa Jardine, head of the Orange Prize jury, makes some uncontroversial remark about preferring American to British writing, they are torn to shreds by the culture vultures whose very certainty about prescribed cultural

values should indicate that it is time for them to cash in their pension schemes. The reaction to *Crozenberg's Crash* was a case in point. The critical language used both to attack and defend this film seemed to belong to another era. Either it was bad because it showed perverted things and therefore the audience would be turned into perverts, or it was good because it was arty, or that great catch-all "disturbing".

Its defenders were keen to tell us that a film about sex and car crashes was not actually erotic but about eroticism. Of course *Crash* is erotic. It has got James Spader in it for a start. The man I sat next to in an empty LA cinema found it so erotic that he masturbated during the ads for hot-dogs, popcorn and insurance policies so Westminster council should also consider banning such arousing material.

Somehow within this critical mêlée a film that is seriously high culture got turned into low culture, its worth delimited by its sexiness. Such arousal can only lead to audience dissatisfaction, one of the points that

similarly divides the world into creeps and arseholes. He is described by Roseanne Barr as a racist, a sexist and a homophobe. He is all these things. He is a sewer through which every prejudice flows. He can also be very funny. I don't think his film is funny because Stern is just too desperate to be liked.

Serious film critics have not paid much attention to a movie which is a study of stupidity, but they should have done. *Beavis and Butt-head Do America* is one of the cleverest films I've seen for a long time. *Beavis and Butt-head*, products of the moronic inferno, have not read Jean Baudrillard on America because they do not read.

Yet they are the living embodiment of his pronouncement: "if it is the lack of culture that is original, then it is the lack of culture one should embrace". *Beavis and Butt-head*, the mutant waste of MTV culture, are actually cartoons of two adolescent boys who have no relationship to anything except TV, videos and each other. Let's not forget that stupidity was the key to *Forrest Gump* and Ronald Reagan's success. Now these

boys have their own movie and their creators have given full vent to their nihilism.

The worst thing that could possibly happen to them happens: their TV gets stolen. This sucks more than anything has ever sucked before. Their world is severely bipolar. Things either suck or are cool. Their bearded liberal teacher, who strums songs like "Lesbian Seagull", catches them trying to steal a TV from school. He informs them that: "We don't need TV to entertain us". The boys snigger: "He said anus".

Now you don't have to like *Beavis and Butt-head* just as you don't have to like Howard Stern, who is another American monster and who doesn't even have the excuse of being a cartoon, but you shouldn't ignore them. Stern's movie *Private Parts* will be released here soon. He is the offensive US DJ who

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Pop goes the culture: (from top) Beavis and Butt-head; Jim Carrey and Howard Stern; and Tiffany and Bianca from 'EastEnders'. They are created out of banality but they are never as banal as the average play, opera or concert

Israel is gripped by the curse of '67

Patrick Cockburn says the poisoned fruits of victory stand in the way of peace

On 5 June 1967 Israeli soldiers entered East Jerusalem and within a few days captured all the land to the west of the Jordan river, as well as the Sinai Peninsula from Egypt and the Golan Heights from Syria. The victories were overwhelming and intoxicating.

For 30 years Israel has been trying to absorb part of its conquests and trade the rest for a lasting peace. Even land captured in the first minutes of the war is proving difficult to digest. Despite the Israeli claim to Jerusalem as its eternal and undivided capital, Israeli taxi drivers still routinely refuse to enter the Palestinian districts of Jerusalem.

This week Israelis are, as usual, celebrating the Six-Day War and the reunification of Jerusalem. Tens of thousands of people pour through the streets of the Old City, waving the white and blue Israeli flag. But this year the anniversary has a peculiar significance, of which most of the demonstrators will be unaware.

This year's celebration is important because it marks the failure of the most serious attempt by an Israeli government to escape from the legacy of 1967. That could be done only by ending the occupation of the West Bank and Gaza. The Oslo accords of 1993 fell short of what Palestinians wanted but recognised them as a people with rights to their own territory.

Some Israelis always believed that the very extent of their 1967 victory had contained a hidden danger. It had created too many enemies. In the West Bank and Gaza Israel had become a colonial occupying power. Confrontation with the Palestinians

dominated its agenda to the exclusion of almost everything else. Yossi Beilin, the architect of the Oslo accords, wrote: "Thus Israel's sensational victory of 1967 became a curse."

It had another effect, which he underestimated. For some Israelis the Six-Day War was not just a glorious victory, but the voice of God. It was his command to the Jews to reclaim the Land of Israel between the Jordan river and the Mediterranean Sea. Religious extremism bonded with territorial nationalism. Retreat from the land God gave to the Jews was treachery. Inspired by that vision, Yigal Amir, a student of religion, shot dead Yitzhak Rabin, the prime minister, who had been Israeli chief of staff in 1967.

Benjamin Netanyahu, the new Israeli prime minister, chose this year's anniversary of 1967 to unveil his vision of a final settlement with the Palestinians. It shows that Oslo is dead. On offer are four truncated cantons based on Gaza, Hebron, Nablus and Jericho.

Is Mr Netanyahu right to believe that Israel can hold on to most of what it captured 30 years ago? In his books and in his election campaign he said that the way to deal with the

Palestinians and Arabs is to stand up to them; lower their expectations and they will take whatever is on offer. And in the short term there is evidence that he is proving to be right. Despite the furious reaction of Yasser Arafat, the Palestinian leader, to the building of an Israeli settlement for 6,500 people at Har Homa, called Jabal Abu Ghneim by Palestinians, protests have fizzled out. The Arab states have not reacted strongly and the US vetoed two UN resolutions condemning Har Homa.

But in the long term Mr Netanyahu's policy presupposes a permanent confrontation between the 5.25 million Palestinians and 5.5 million Jews living in Israel, Gaza and the

West Bank. And the lesson of the years since 1967 is that Israel's military might is less and less effective in solving its political problems. For this week also marks an Israeli military anniversary which is not being celebrated or even mentioned.

This was the Israeli invasion of Lebanon 15 years ago. On 4 June 1982 the Israeli army crossed the border in the "Peace for Galilee" operation. The aim was to destroy the PLO, drive Syria out of Lebanon and install a pro-Israeli Christian government in Beirut. It failed dismally on all three counts. Nor was that the only failure of military power to produce results. Israel found that military superiority was not

enough to deal with the Palestinian Intifada (uprising) in 1987. Last year the "Grapes of Wrath" operation, the bombardment of south Lebanon, failed to damage the Hezbollah guerrillas.

Arabs often regard Israel as wholly hypocritical in demanding special attention to its security needs, while doing everything to threaten the security of its neighbours. But in fact Israel is less of a regional power than it looks. A long-term result of 1967 was to

increase Israeli dependence on the US. The real shift in the Middle East since the Six-Day War is not the growth of Israeli strength so much as the predominance of the US.

At first the Gulf crisis and war merely boosted the chances of a rapprochement between Israel and the Arab states. In Saddam Hussein there was an enemy whom other Arab leaders hated and feared even more than they did Israel. The US also wanted to consolidate its Gulf War alliance by brokering an Arab-Israeli agreement. President Bush in 1991-92 put serious pressure on Israel not to build settlements, and to negotiate with the Palestinians. Unfortunately the US position on the Middle East is now so strong that the absence of an Israeli-Palestinian agreement does not make much difference. Iraq, the only Arab state with oil and a powerful army, remains isolated. President Clinton learnt too well from the fate of Mr Bush in the 1992 election that there was a heavy political price to pay for offending Israel (Jimmy Carter made the same discovery in 1980).

In announcing his peace proposal this week the Israeli government said it was half-way between a full return to the 1967 borders and a total takeover of the Land of Israel. That apparently means returning 40 per cent of the West Bank. Israeli settlements will stay. As a peace proposal it has the disadvantage of not producing peace. The confrontation between Israel and Palestinians on the West Bank and in Gaza which has raged since the Six-Day War will be institutionalised. The curse of Israel's 1967 victory retains its power.



The Wailing Wall: Israel's claim on Jerusalem is belied by realities

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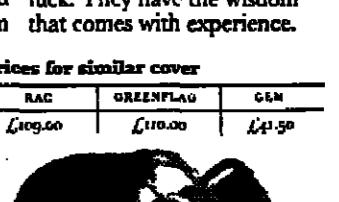
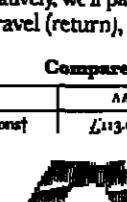
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Regulator to review funding for Railtrack

Michael Harrison

The rail regulator, John Swift, yesterday launched a fresh attack on Railtrack, criticising its investment record and launching a review of up to £300m of public subsidies the company receives.

The broadside came as Railtrack, which runs the country's rail network, announced a 27 per cent increase in pre-tax profits last year to £346m and mounted a vigorous defence of its £16bn investment programme in new track, signalling and stations.

In a surprise statement, Mr Swift said there was still "a very long way to go" for Railtrack to deliver on its investment obligations. He also announced a review of the money Railtrack receives under its performance incentive regime to establish whether shareholders were benefiting disproportionately. Mr Swift said Railtrack had already made £87m more than was assumed when it was privatised a year ago.

Railtrack shares fell back following Mr Swift's statement on fears the company was facing a much tougher regulatory environment, although they still ended the day 13.5p up at 658p.

Earlier John Prescott, the Deputy Prime Minister and Secretary of State for Transport and the Environment, criticised Railtrack's profits, saying "I do not think that is a good deal for the taxpayer."

The company reacted angrily to the twin attack on its profits and investment record. Sir Bob Horton, chairman, said: "I do not think we are making too much money. I think we are rewarded for that capital, both in terms of intellectual capital and physical capital, that we are putting into the business. It is quite unreasonable to expect us to get up and modernise every single station in this country overnight. We are getting on with that as fast as we can."

John Edmonds, chief executive, said later that Railtrack could go to the Monopolies & Mergers Commission or seek a judicial review if the regulator sought to reduce the amount of access charges it received from the passenger franchises.

At issue are the supplementary charges Railtrack is allowed to levy on train operators to cover its costs if its performance falls below set levels or it incurs extra costs because of bad weather. The charges amount to £300m over the six years to 2001. Last year Railtrack received £93m which, after payments to suppliers and provisions for severe weather, netted it a £26m profit.

Mr Edmonds said that if the supplementary charges ceased then the performance review would collapse and Railtrack would have no incentive to improve its efficiency. He also criticised the "smoke and mirrors" that surrounded the regulation

Comment, page 23

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Comment, page 23

Bank's new monetary policy committee meets for the first time



The Bank of England's new monetary policy committee, empowered by the Labour Government to set interest rates, began its first two-day meeting yesterday afternoon amid City speculation that it would result in a rise in the cost of borrowing. But the radical changes made to Britain's monetary framework, coupled with mixed inflationary signals, meant few analysts were

making forecasts with any confidence. A Reuters poll of 21 economists showed a narrow majority anticipated a rate increase. Seven of the nine members were at the meeting. Pictured are (left to right, standing): Sir Alan Budd, Ian Plenderleath and Charles Goodhart, and (front row, left to right) Howard Davies, Deputy Governor, Eddie George, Governor, and Mervyn King. Photograph: FT

Retail figures point to consumer slowdown

Michael Harrison

Evidence emerged yesterday of a slowdown in consumer demand last month as both high street sales and purchases of new cars failed to live up to expectations.

The Confederation of British Industry said the annual growth in retail sales in May was the lowest since October 1995. Only half those retailers had been expecting an increase in sales actually reported one.

Meanwhile the Society of Motor Manufacturers and Traders reported an increase in new car sales last month of just 2.5 per cent compared with an overall rise of 5 per cent for the first five months of the year.

This evidence of a consumer slowdown may leave the Bank of England's Monetary Policy Committee with a finely balanced decision on whether or not to raise interest rates. The committee concludes its first ever meeting at lunchtime today.

The Bank's Governor, Eddie George, spoke earlier this week of his concern at the money flooding into the economy from the £30bn building society windfalls. The comment was taken as an indication in the markets that he was in favour of an increase in interest rates.

The consensus among City economists remains that the six-strong committee will vote to raise base rates by a quarter point to 6.5 per cent. Alternatively they may wait to see the contents of Chancellor Gordon Brown's first Budget on 2 July.

According to the CBI's latest distributive trades survey, 46 per cent of retailers reported an increase in sales in May while 25 per cent reported a decline. The balance of 21 per cent compared with 42 per cent who have been expecting an improvement.

Alastair Eperon, chairman of the CBI's distributive trades panel, said: "The slowdown in sales growth reported in May is disappointing for retailers." However, he said that the slight easing in annual price increases also detected in the survey was good news for inflation.

Car sales reached 169,886 in May compared with 165,685 in the same month last year. Imports made up 63.5 per cent of total sales. Roger King of the SMMT said the modest sales growth showed that the market remained tough.

Ford was the market leader with a 20 per cent share of sales, while Vauxhall was second with 13 per cent. Rover remained in third place as its market share slipped to below 10 per cent.

BT residential sales

are down 10% in the first five months of the year.

Source: GfK

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COMMENT

'Labour is already planning to hit the utilities hard with its windfall levy, a retrospective and selective tax which in many parts of the world, including the United States, would be unconstitutional and therefore illegal. Now it seems to want to stop them making any money at all'

Labour's pick and mix approach doesn't work

The new Government is developing a dangerously schizophrenic attitude towards business and the people who run it. In its body language and utterances, New Labour has already begun the process of separating them into "goodies" and "baddies", the "ins" and the "outs", and while some of this is simply a reflection of the colour of your politics, this is rarely wholly or even largely the deciding factor.

On the one hand ministers display a touchingly naive, almost awe-struck admiration for the "can do" attributes of our more successful businesses. "Do come in and show us how to do it", they are saying to the open minded of them. "You can be our partners". So in comes David Simon of BP, Martin Taylor of Barclays, and most bizarrely of all, Peter Davis of the PTA. But you cannot keep old Labour in its cage for ever, and every now and again out it comes growling and angry, fulminating against fat and the wicked capitalists.

And so it was yesterday as John Prescott went on the warpath about what was in truth a not particularly shocking rise in Railtrack profits. This is our money, Mr Prescott insisted, it belongs to the tax payer, and even if we no longer own this wretched company, we as sure as hell are going to control it. The distinction Labour makes when its leaders rant and rave in this way is between businesses which are essentially public services and the rest. Privatised utilities bad, everything else good, is what Mr Prescott would say if pushed.

But although this is all good populist stuff, it is actually a false distinction as well as a dangerous one. If the lottery and the public services are to be banned from making money it won't be long before the argument is extended to other businesses with anything approaching a dominant market position, and from there to business more generally. Labour is already planning to hit the utilities hard with its windfall levy, a retrospective and selective tax which in many other parts of the world including the United States would be unconstitutional and therefore illegal. Now it seems to want to stop them making any money at all.

The politician speaks and the regulator delivers. John Swift the rail regulator, yesterday announced that he is going to rewrite Railtrack's performance regime, because he believes that a disproportionate amount of Railtrack's direct government subsidy is going to shareholders.

Meanwhile, over at Ofwat, Ian Byatt has deplored big real rises in dividends saying he cannot see why water shareholders need such a big return. What world does Mr Byatt think City investors inhabit that they should want to put their money into something where the spoils are distributed according to need? The workers Republic of China? Exaggeration perhaps, but the City can expect a lot more where that came from right across the utilities over the months ahead.

Labour is in danger of adopting a pick and mix approach to business - socialism for the

utilities, and anything else the masses take a dislike to, and capitalism for the rest. Ultimately this is bad politics and economics, as well as bad in principle, for the company not allowed to make money for itself rarely tries to make savings for its customers either. There are plenty of good businesses and plenty of bad ones but not because some are saintly and some are evil. Rather it is because some are good at what they do and some are bad at it. The only way anyone is going to find out which is which is by letting the market decide. Unavoidably it tends to do this on the basis of how much money they make, for themselves and their shareholders.

that there are rather more urgent and pressing matters to correct in the single market than getting rid of currency fluctuations.

Companies still face considerable regulatory roadblocks to their right to operate in other member states, there's a way to go on harmonisation across a wide range of different industries and standards and there has been an object failure to achieve a single European market in a number of vital supply industries, notably energy. Perhaps most important of all, free movement of labour remains a distant dream. In these circumstances the present dash to monetary union looks rather like putting the cart before the horse.

By appointing David Simon, who was a member of this enquiry, minister for competitiveness in Europe, the new Government has signalled its determination to push the process forward with dispatch. In the end, however, our main European partners are probably not going to need too much prodding. Six thousand Daimler-Benz and BMW jobs lost from Germany to the US is a more powerful incentive to liberalisation and deregulation in Germany than any number of directives from Brussels.

duck difficult and controversial issues. So why the studied silence yesterday on the speed with which Boots is paying its £400m special dividend, the latest in a line of bumper paybacks to shareholders of Boots amounting to over £1.7bn since November 1994.

Could it be anything to do with the approach of Labour's first Budget, in which many are expecting the Chancellor to drastically reduce or abolish tax credits on dividends? Surely not. But then again why else would Boots want to exhaust its cash pile and some with such indecent haste. The extra £100m tax exempt institutions will be able to reclaim in ACT is a feast which may soon not be available if the Chancellor, Gordon Brown, cuts back on this lucrative City perk.

Boots appears to be the only major company so far to attempt to outwit Mr Brown's supposed plans in this way. Others have certainly looked at a similar acceleration of dividend payments, but quickly rejected the idea. The political sensitivity behind any attempt to beat the tax man are clear.

Boots has certainly won over the City by trying it on, whether it picks up Brownie points with Labour is another matter. The announcement of 5,000 new jobs must go some way to salvaging its position with the new Government, but ministers won't much like this transparently sneaky attempt to slip through the fence before the gates are finally shut.

Single European market is the real problem

So much time, energy and angst is expended on debating the pros and cons of European Monetary Union that it's easy to lose sight of its underlying and perfectly reasonable purpose as a natural and logical corollary of the single European market - way of ensuring that countries and companies across Europe compete fairly with each other on a level playing field.

So it is refreshing to see the Action Centre for Europe neatly sidestepping the bull fight over EMU and returning to the more down to earth question of how to improve the single market. What the enquiry, chaired by Lord Sheppard of Digdemere, found was

Boots' dividend poser for the Chancellor

Neither Sir Michael Angus, chairman of Boots, nor Lord Byatt, his equally ebullient chief executive, are the type to

IN BRIEF

Commercial Union fined over PEPs

Commercial Union, the insurer, has been fined £95,000 and ordered to pay more than £84,000 in compensation by Imro, the fund management regulator, for mis-selling PEPs. The company must also pay £63,000 in costs. Imro investigators found that PEPs which were specifically designed to help pay off home loans were being sold to clients who already had other means of repaying their mortgages. Commercial Union's compliance team was unable to spot the mis-selling, which affected 95 of the 838 mortgage PEPs sold. In addition, the company failed to inform the regulator, which registers all members individually, that it had sacked several staff and hired others.

Unemployment claims surge in US

The number of Americans filing for state unemployment benefits unexpectedly surged last week to the highest level in a month, government figures showed. First-time jobless claims increased by 19,000 to a seasonally adjusted 337,000 in the week ended 31 May, the Labor Department said. Analysts had expected the number of new claims to hold steady at 322,000. The latest four-week average of new claims, however, has fallen from 326,500 to 323,750. "The four-week average is down. So there is still no evidence of a cyclical slackening in labor markets," said David Munro, chief US economist at High Frequency Economics in New York.

Investors are watching for the Labor Department's May employment report to give them a more complete picture of US job growth. That report, scheduled for release today, is expected to show the economy added 225,000 jobs last month, up from April's gain of 142,000 jobs. The unemployment rate probably rose to 5.0 per cent from April's 4.9 per cent, which was the lowest in 23 years.

Headlam moves dividend date forward

Graham Waldron, chairman of Headlam Group, announced that, in view of the timing of the forthcoming Budget on 2 July, the company's board had decided to accelerate the payment of the final dividend by six days to 1 July. "In view of the recent speculation by the City and the media that taxation on dividends may come under review in the Budget it was thought prudent to protect shareholders' interests by moving the payment date," he said. Mr Waldron also told the annual general meeting that "profits and earnings are well ahead of last year so far and the recent acquisition of Gratus has proved to be a successful move".

Second employee leaves PIA

The Personal Investment Authority, the financial services regulator, was yesterday facing the loss of another of its key members of staff. Penny Tomkins, legal officer in the PIA's pensions unit, is leaving the regulator to join Sun Life of Canada later this month. Her departure follows the abrupt exit from the PIA last week of David Cranston, formerly head of membership services. Sources alleged Mr Cranston was blamed for the PIA's failure to ensure swift redress to pension mis-selling victims.

New chairman for Hogg Robinson

Hogg Robinson is appointing Neville Bain as deputy chairman with effect from 9 June. He will take over as chairman on the retirement of Brian Perry, who is also managing director, on 5 September. The company said Mr Bain would be actively involved in the selection process leading to the appointment of a new chief executive on Mr Perry's retirement. Mr Bain has been chief executive of Coats Viyella for the past six-and-a-half years and was previously finance director and deputy chief executive of Cadbury Schweppes.

ICI closer to selling Australian stake

The pending sale of Imperial Chemical Industries' 62.4 per cent stake in ICI Australia moved a step closer following agreement being reached on commercial arrangements between the two companies. "The completion of negotiations and determination of commercial arrangements between ICI and ICI Australia represents a positive result for both companies. It opens the way for the sale of ICI's shareholding in ICI Australia and provides the platform for the development of ICI Australia," the company said.

The agreement provides that ICI Australia retain exclusive rights to use the ICI roundel (registered trademark) and the "ICI" house mark in Australia, New Zealand and Papua New Guinea for one year. ICI Australia will own the key brands in the paint business in Australia and New Zealand, including the Dulux brand. ICI Australia will be able to exploit opportunities in paint markets internationally.

J Saville Gordon to sell 147 properties

A portfolio of 147 properties is to be disposed of by J Saville Gordon Group in line with its stated corporate strategy of focusing its activities on the industrial property sector. The mainly retail portfolio comprised 147 properties located on a wide range of high streets throughout the country let to tenants including Rank Hovis McDougall, Superdrug and Radio Rentals, a company spokesman said. The portfolio does not include the company's two shopping centres at Colwyn Bay and Colchester.

SBS Group plans to float on AIM

SBS Group, the information technology recruitment agency, is making a £1.2m placing of shares and plans a flotation on the Alternative Investment Market. It is placing 1.5 million shares with institutional and other investors at 100p each, giving the company a market value of around £7m. Approximately 21.5 per cent of the company's share capital will be held by external investors.

The company said the money raised would provide working capital to support future growth and turnover, allow the repayment of borrowings and provide the flexibility to finance acquisitions. In the year to 31 August 1996 it had sales of £15.2m and pro forma profit after tax of £252,000. For the first half of 1996/97 turnover was up 13.2 per cent at £10.1m and profits after tax were ahead 53.1 per cent to £268,000.

BT residential customers lose despite competition

Chris Godsmark
Business Correspondent

The vast majority of residential telephone customers have seen only a tiny fraction of the savings from competition and regulation compared with high spending households and business, the watchdog, Oftel, admitted yesterday.

Don Cruickshank, the telephone regulator, also revealed yesterday that British Telecom had put long-awaited forward plans to link up schools to the so-called information superhighway, though he dismissed any suggestion that the move was linked to the controversial "deal" with Labour to lift the ban on the group broadcasting entertainment down its phone network.

Glass maker to cut 220 factories

Sameena Ahmad

Paolo Scaroni, Pilkington's chief executive of two weeks, stunned the City yesterday by announcing a radical shift in strategy that would see the group withdraw from much of its downstream glass-making operations. These businesses, which add value to ordinary sheet glass by toughening or shaping it, represent around a quarter of the group's total £2.9bn of revenues.

One analyst, who did not want to be named, said: "We were expecting something radical from Scaroni, but not this. It is a complete reversal of policy."

Mr Scaroni, who was Pilkington's head of automotive glass and replaced Roger Leverton in a boardroom coup in May, said that he was looking at closing or selling the group's 220 European-based factories involved in downstream operations: "I don't know which ones or how many yet. It depends on their share of the market and how profitable they are."

The group also said it would accelerate its cost cutting programme, currently £20m a year, over the next three years and wanted to cut out unnecessary management layers.

Mr Scaroni said: "I want Pilkington to become the most efficient glass manufacturer in the world. Prices are something we can do very little about. The only variable under our control are costs."

Analysts' responses were mixed: "We are more confused today than we were yesterday. The whole restructuring is too complex. I'm not sure Scaroni knows what he can do," said one.

Another said: "By reducing the downstream side, they will lose market share and have to cut back capacity at their float glass business. This could cost them a lot in provisions. And the cost of exit from the downstream factories could be high if the group can't sell them." However, others were impressed with Mr Scaroni's track record and said the group could recover in two years.

Mr Scaroni's comments came as the group revealed an £80m fall in pre-exceptional profits in the year to March to £132m.

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Airline chiefs execute a belly-flop landing

David Usborne
Washington

David Usborne reports on a bout of jousting in Washington in which British Airways and American Airlines fared badly

the unhappy pair found themselves the targets of scepticism. In a committee room packed to capacity, Messrs Aylng and Cranford were seated at one end of a narrow table occupied at the other end by three of their most dangerous opponents - Stephen Wolf of US Airways, Richard Branson of Virgin Atlantic and Sir Freddie Laker.

The first to speak, Mr Aylng put his foot in it once. This was, he informed us, the first appearance before Congress of any official from British Airways or from its ancestor companies. If he thought the senators would be impressed, he was wrong. The remark seemed ill-judged given that BA had been asked to testify at a previous hearing on the American deal and had failed to show up.

And then there were the charts. The Bob had a stack of them to match their litany of indigestible statistics. The point they were trying to make was this: Consider things like city-pair numbers, market shares, revenue generation and so forth and the BA-AA deal looks small fry compared with some other alliances that have won approval.

But senators do not care much for statistics. They like a bit of cut and thrust. They like sarcasm and witty one-liners that Mr Branson and Sir Fred-



Michael Harrison looks at New Labour's latest recruits from industry and finance

The businessmen who changed their spots

The chief executive of Prudential, Sir Peter Davis, yesterday became the latest senior businessman to be drafted in by Labour to help with the Government's legislative programme.

Sir Peter has been appointed chairman of the advisory task force that will develop the welfare-to-work scheme designed to get 250,000 long-term unemployed youngsters into jobs.

The Chancellor Gordon Brown, chairman of the Cabinet's welfare-to-work committee, said the £612,000-a-year head of Prudential had the perfect blend of skills and experience to turn Labour's plans into reality.

Others, however, voiced some surprise at the choice. Although Sir Peter has been chairman of the Government's Basic Skills Agency for the last eight years, Prudential, Britain's biggest insurance company, is also heavily embroiled in the pensions mis-selling scandal.

Sir Peter was also one of the group of 42 businessmen who wrote famously to the *Times* before the 1992 election urging the country not to vote Labour, warning: "The spirit of enterprise is not a hardy plant. Nor is it yet so firmly established that it can survive in a hostile climate."

But then a great many other

businessmen have also changed their spots since 1992. The Amstrad chairman, Alan Sugar, another signatory to that letter, has signed up to lecture young people on business on behalf of Margaret Beckett, President of the Board of Trade. He is in good company at the DTL. David Simon, the former BP chairman, has been made a minister in the department with responsibility for Europe and competitiveness while Lord Hollick, a long-time Labour supporter is acting as special adviser to Mrs Beckett.

Other businessmen co-opted to help Labour include the chief executive of Barclays Bank, Martin Taylor, who is chairing the Treasury's pensions and benefits review, and Malcolm Bates, former deputy chairman of GEC and now chairman of the Pearl insurance group, who is chairing a review of the Private Finance Initiative for the Paymaster General, Geoffrey Robinson.

Other business leaders with an entree to Downing Street now that Tony Blair is its occupant include Gerry Robinson, the chairman of Granada, Bob Aylng, chief executive of British Airways, and Virgin's Richard Branson. Mr Aylng is a close friend of the Home Secretary, Jack Straw. The two men shared a 50th birthday party.

Among those definitely out of the loop are Sir Desmond Patcher, chairman of United Utilities, who prided himself on his close contacts with the previous government, and Sir Stanley Kalms, chairman of Dixon's and a well-known scourge of socialism, even of the pale pink Blair variety.

Also persona non grata are Ed Wallis, chairman of PowerGen, who has lobbied harder than most against the windfall tax, and John Neil, chief executive of Unipart, who backed a campaign before the election to boost the image of privatised companies. Nor will Lord Hanson and Sir Rocco Forte be found on any Labour guest list but neither man probably much cares.

Somehow in the middle are floating voters whose affiliations are uncertain. Rupert Murdoch's *Sunday Times* backed Blair at the polls but is the News Corp chairman a personal convert to Labour?

Sir Iain Vallance, chairman of SBS Group, the information technology recruitment agency, is making a £1.2m placing of shares and plans a flotation on the Alternative Investment Market. It is placing 1.5 million shares with institutional and other investors at 100p each, giving the company a market value of around £7m. Approximately 21.5 per cent of the company's share capital will be held by external investors.

The company said the money raised would provide working capital to support future growth and turnover, allow the repayment of borrowings and provide the flexibility to finance acquisitions. In the year to 31 August 1996 it had sales of £15.2m and pro forma profit after tax of £252,000. For the first half of 1996/97 turnover was up 13.2 per cent at £10.1m and profits after tax were ahead 53.1 per cent to £268,000.



Ins: (clockwise from top left) David Simon; Martin Taylor; Lord Hollick; Robert Aylng; Peter Davis; Gerry Robinson; Uncertain; (from left) Rupert Murdoch; Sir Iain Vallance; Sir Richard Evans; Outs: (clockwise from left) Sir Desmond Pitcher; Ed Wallis; Sir Stanley Kalms; Lord Hanson; John Neill; Sir Rocco Forte.

Cater shares jump after bid talks revelation

Tom Stevenson
Financial Editor

Shares in Cater Allen jumped 27 per cent to 562.5p after the small merchant bank said it was in talks which might lead to a bid. Analysts said talks were at a fairly advanced stage and expected an announcement within a few weeks.

Sources close to the former discount house said a deal had been in the offing for a while, following a long slide in Cater's share price since it peaked at 630p at the beginning of 1994. The identity of the bidder remains under wraps, but analysts said yesterday it was probably a British bank keen to buy Cater's knowledge of the high-volume, low-margin short-term money markets.

With a net asset value of 340p, any bid is thought unlikely to exceed about 600p a share. Market speculation yesterday focused on Close Brothers or Schwab, although neither was thought to be able to provide the balance sheet strength that was probably the attraction of any deal to Cater. The bank has made it clear that discussions are over a recommended bid.

A takeover would put an end to Cater Allen's transformation from old-style discount house to a specialist small bank engaged in a variety of disciplines. The bank's interests range from execution-only stockbroker City Deal, which offers small investors trades as

cheaply as 5p a deal, to retail banking and fund management.

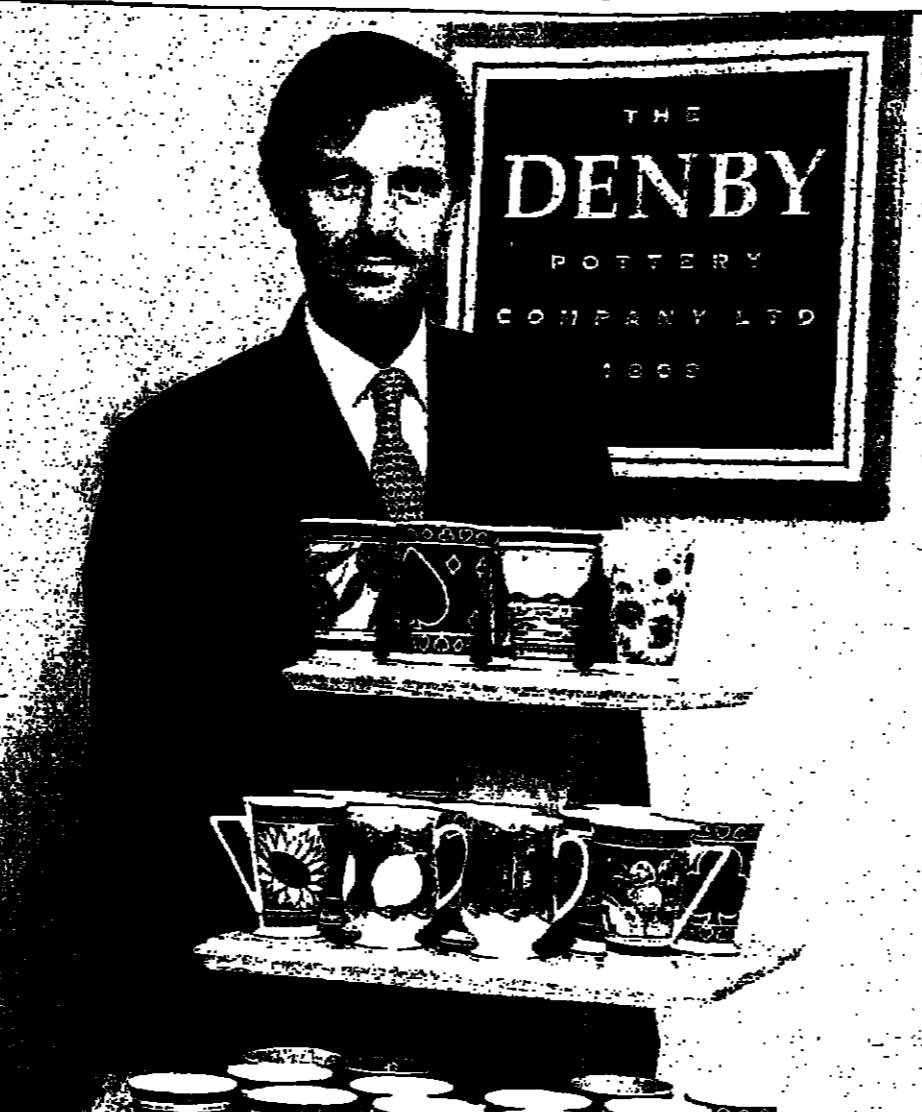
The main thrust of Cater's expansion has been out of wholesale and into retail financial operations, where James Barclay, the bank's chairman, recently said it was going "flat out". Like many banks, Cater has been keen to expand its fund management operations, which in the past decade have provided steadier profits than more volatile broking activities.

Cater Allen has struggled in recent months. Last November it announced a 40 per cent slide in pre-tax profits for the half-year to October to £5.6m. Mr Barclay blamed a wrong call on the previous month's interest rate rise and said sterling money markets had been the toughest in years.

Its execution-only stockbroking business had also suffered from the introduction of Crest, the electronic share settlement system, which pushed it into the red last summer. It had, however, been popular with investors, winning awards for its service and pulling in up to 1,000 new clients a week for its no-frills stockbroking offer.

A bid for Cater Allen would be the latest in a string of deals which have pushed almost all the City's independent banks into the hands of well-heeled institutions, mainly foreign banks. Venerable City names such as SG Warburg and Kleinwort Benson have fallen to European buyers, leaving only a handful of independent players.

Competition puts crack in Denby's china success



Denby, one of the success stories of the UK China industry in recent years, has fallen victim to increased competition in casual tableware and the strong pound, writes Simeena Ahmad. The company warned yesterday that profit growth this year would be slower than expected, sending its shares down 10 per cent to 222.5p. Some analysts said the price fall left the group open to a takeover bid. The warning contracted with the accompanying half-year results from Denby, with profits for the period to March rising 16 per cent to £3.5m and sales up by 15 per cent to £19.3m. However, Carl Short, an analyst at SGST, downgraded full year

IN BRIEF

Williams' resignation hits DCS shares

Shares in DCS Group, the computer software company, fell 29.5p to 275p on news Bob Williams had resigned as chief executive. "Having managed the successful integration of CSI with the rest of the group, Mr Williams would now like to take time to pursue other interests," a statement from the company said. Robert Arrowsmith has been appointed chief operating officer and Robin Lodge executive chairman. Sue Bygrave has been appointed group financial controller and company secretary.

Profits slide at Hambro Insurance

Hambro Insurance reported a drop in pre-tax profits from £11.09m to £10.9m for the year to 31 March and held the dividend at 5.55p. Earnings per share fell from 10p to 9.4p. Christopher Sporger, chairman, said dividend cover of two times "remains our medium-term aim", but "if further underlying progress is achieved as expected during the next 12 months, we would intend this to be reflected in an increased dividend to shareholders".

Prospect looks good for second half

Richard Reynolds, chairman of Prospect Industries, said he was confident the company would make progress towards its profit goals and benefit from investing in new management after announcing a rise in first-half losses from £3.32m to £3.52m. He said benefits from the work associated with servicing the repair and maintenance requirements of the UK and Australian power sectors would be seen in the second half of the financial year.

Hopkinsons sells valve business

Hopkinsons Group has sold the valve business of its Bryan Donkin engineering division to Aqua-Gas Group for £2.55m. The book value of the assets being sold is £2.17m. In the year to 31 January the valve business made a pre-tax profit of £191,000 on turnover of £5.07m.

Havelock Europa acquires rest of Embu

Havelock Europa, the maker of commercial interiors, has exercised an option to acquire the remaining 16.2 per cent of shares in Embu Holdings for up to £2.5m. The option was granted with its acquisition of 83.8 per cent of Embu in February. Embu owns Hartcliffe, a Bristol-based screen printing company specialising in point-of-sale production for the retail industry.

Dawn Til Dusk buys Milbank for £1

Dawn Til Dusk will acquire Milbank from Birkby and Thornton Products for £1. Milbank operates 38 convenience stores, the majority of which are located in the North-east of England. For the year to 31 March it will report a loss before tax of £211,423 on turnover of £19.7m. A inter-company loan of £3.2m will be repaid to Birkby and Dawn Til Dusk will enter into licence arrangements with the Milbank stores. Milbank will fund £2.5m of the loan repayment by the sale by of four freehold shops and its head office.

Profits increase at Bradstock

Bradstock, the insurance group, increased taxable profits from £3.27m to £3.67m in the half year to 31 March. Eddie McGrath, chairman, said structural changes within the market were creating significant opportunities for the company. Robin Gibson is to take early retirement and resign as chief executive on 30 September. The company said Mr McGrath would stay on past his normal retirement date while David Young would add chief operating officer to his responsibilities as group finance director.

Mr Wong said the company had been "pointed in the direction" of the Chelsfield acquisition. Planning permission at Wool House has already been obtained, and work is to begin shortly on 97,750 square feet of offices, and a smaller area of residential developments.

Benchmark declared a maiden dividend of 3p a share for the year to the end of June this year, instead of a final dividend at the end of the year. As a result of the deal Benchmark would be taking on another three senior managers, Mr Wong said.

Benchmark spends £120m on properties

Cathy Newman

Cable & Wireless Communications, the newly formed cable TV and telecoms conglomerate, has appointed an executive to take control of the company's relationship with broadcasters.

Peter Howard, marketing and programming director at Videotron, has taken on a similar role at CWC. Mr Howard officially becomes director of content and programming at CWC, with responsibilities for buying channels to transmit to cable subscribers.

Graham Wallace, chief executive, said Mr Howard would report directly to him, and added: "He's going to handle our relationship with Sky and other programme providers."

Mr Howard's role will be increasingly important as CWC gears up for the launch of digital cable television either later this year or at the beginning of 1998. Digital compression will offer consumers hundreds more channels.

CWC is the product of last year's merger of Cable & Wireless' Mercury subsidiary with Bell three cable operators, Bell Cablemedia, Nynex Cablecomms, and Videotron.

CWC, which floated on the stock market in April, is currently in the throes of a process of rationalisation which will lead to 500 job losses. Staff have been offered loyalty bonuses to stay until the reorganisation is complete.

The Friends Provident deal

on properties in central London and Leadenhall in the City followed talks since last October, when FP sold a central London portfolio to Benchmark for £13m, in return for a 35 per cent stake in the company. The move transformed Benchmark overnight from a £3m fiddler into a business with a market worth of £100m. The company was last night valued at £147m. Shares jumped 4p to 244p yesterday.

Benchmark will undertake office refurbishments of the central London sites formerly owned by FP, and has applied for planning permission to create 22,000 square feet of offices in the Leadenhall location.

Mr Wong said the company had been "pointed in the direction" of the Chelsfield acquisition. Planning permission at Wool House has already been obtained, and work is to begin shortly on 97,750 square feet of offices, and a smaller area of residential developments.

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The Friends Provident deal

THE INVESTMENT COLUMN

EDITED BY MAGNUS GRIMOND

Pilkington's new chief wields the axe

It's Pilkington's glass half empty or half full? On first glance it looks half empty. Despite five years of hacking away costs at its commodity glass business and building up a huge market share in added-value "downstream" glassmaking — laminating, toughening, bending, glazing — Pilkington remains a flabby business against competitors like Saint Gobain and Glaverbel.

SBC Warburg is forecasting profits of £127m before exceptional items in 1998 and £182m in 1999. The shares are on a 1999 rating of 12. The cautious investor will wait until the full details of the restructuring are revealed in December, but the share should budge for recovery.

Pay-back time for Boots

The reputation of Lord Blyth, Boots' chief executive, continues to suffer from the £900m acquisition of Ward White some eight years ago. The ghosts of that deal continue to haunt the retail group in the shape of losses at the AG Stanley and Do It All DIY chains, but Lord Blyth and his company are now well on the road to rehabilitation in the eyes of the City.

Most obviously, Boots has led the pack in returning excess cash to shareholders. Yesterday's special dividend of £100m brings to £1.7bn the company has paid back over the past three years, including

Five-year record

Market value: £1.21bn, share price 117p

1993 1994 1995 1996 1997

Revenue (£m) 237 274 266 239 222

Pre-tax profits (Loss) (£m) 41 97 (248) 55.0 77.0

Dividends per share (p) 4.0 4.0 4.2 5.0 5.0

Share price (pence) 117 120 110 100 90

German glass prices (pence)

1993 1994 1995 1996 1997

120 110 100 90 80

Dm 5.80 Dm 5.10

100 90 80 70 60

120 110 100 90 80

100 90 80 70 60

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German growth picks up

Imre Karacs
Bonn

The German economy has started to grow again, but the expansion appears too weak to make an impact on due dates or the government's budget deficit. Figures issued yesterday by the Bundesbank showed that the economy expanded in the first quarter of this year by 0.4 per cent compared with the last three months of 1996.

The Federal Statistics Office reported that year-on-year growth stood at 1.4 per cent. This contradicts pessimistic forecasts earlier this year, which had anticipated a slight downturn following the extremely cold weather in January.

Economic activity in the first

quarter was weighed down by a slump in the construction sector, and there was virtually no change in the consumer market. Unemployment fears and increased social security contributions kept private consumption down.

There were, however, signs of a pick-up in the corporate sector, where investment in equipment rose for the second quarter in succession. Business confidence was boosted by the export boom, attributed to a weak mark and rising demand in foreign markets. In comparison with the previous year, exports grew by 6.8 per cent between January and March.

Statistics for March and April orders, published by the Economy Ministry yesterday, confirmed that the upswing was

gathering strength. Both domestic and foreign orders grew by an unexpectedly strong 3 per cent in April, while contracts for domestic capital goods increased by 2.1 per cent. Demand for goods made in the east was up by 9 per cent. These are the first indications that growth is no longer relying on exports alone. Günter Riedrot, the Economics Minister, seized on the statistics as evidence that Germany had resumed its competitiveness, and suggested that an improvement in the labour market was just around the corner.

Despite his optimism, however, the latest figures hold out little hope for the 4.2 million unemployed. Due to a 2.9 per cent increase in productivity, more than half a million jobs disappeared in the first quarter.

£50m to spend at Powell Duffryn

Cathy Newman

Powell Duffryn, the ports to engineering group, is to go on the acquisition trail with around £50m in cash once it completes the disposal of some of its non-core businesses.

The company could gain up to £25m from the disposal of the fuel distribution division and four other businesses, which include a rolling stock operation and a software subsidiary.

Barry Hartiss, Powell Duffryn's chief executive, said he was talking to potential bidders but would not be drawn on a timetable.

Together with the £40.7m raised from disposals since the end of March last year, the group would have in excess of £50m to devote to investment and acquisitions in the two core operations, engineering and ports.

Mr Hartiss said it would be difficult to acquire in the ports sector as most of the main ports were in plc hands. He added that he would be looking at further opportunities in the engineering sector.

| Foreign Exchange Rates | | | | | | | | | |
|------------------------|-------|---------|----------|---------|---------|----------|---------|---------|----------|
| Sterling | | Dollar | | D-Mark | | Yen | | Swiss | |
| Country | Spot | 1 month | 3 months | Spot | 1 month | 3 months | Spot | 1 month | 3 months |
| US | 18393 | 7.40 | 7.45 | 10000 | 7.40 | 7.45 | 97814 | 7.40 | 7.45 |
| Canada | 22435 | 6.50 | 6.40 | 181-73 | 6.50 | 6.40 | 80304 | 6.50 | 6.40 |
| Germany | 21897 | 75.73 | 75.73 | 127597 | 75.36 | 75.36 | 116-12 | 100000 | 100000 |
| France | 95125 | 250-254 | 736-706 | 58325 | 165-164 | 350-339 | 35735 | 165-165 | 350-339 |
| Japan | 12703 | 21.16 | 21.16 | 165-165 | 21.16 | 21.16 | 982-988 | 21.16 | 21.16 |
| ECU | 14482 | 25.25 | 25.33 | 12768 | 24.45 | 24.45 | 102-102 | 25.25 | 25.33 |
| Belgium | 58184 | 18-18 | 18-18 | 35576 | 8.45 | 8.45 | 245-215 | 18-18 | 18-18 |
| Denmark | 10737 | 280-280 | 280-280 | 12761 | 28.00 | 28.00 | 380-378 | 280-280 | 280-280 |
| Netherlands | 10890 | 3-3 | 2-2 | 12840 | 8.50 | 8.50 | 12-12 | 1-1 | 1-1 |
| Ireland | 11887 | 330-320 | 350-350 | 12840 | 7.50 | 7.50 | 15-10 | 329-329 | 344-344 |
| Norway | 11877 | 240-240 | 250-250 | 12840 | 10-10 | 10-10 | 10-10 | 240-240 | 244-244 |
| Sweden | 12805 | 97-98 | 97-98 | 12840 | 5-5 | 5-5 | 326-326 | 97-98 | 97-98 |
| Switzerland | 12436 | 93-93 | 302-302 | 12840 | 50-47 | 49-43 | 149-143 | 83-87 | 83-87 |
| Australia | 12436 | 80-80 | 194-194 | 12840 | 3-3 | 3-3 | 4-6 | 75-75 | 75-75 |
| Hong Kong | 12436 | 80-80 | 194-194 | 12840 | 4-4 | 4-4 | 4-4 | 75-75 | 75-75 |
| Malta | 12093 | 0-0 | 194-194 | 12840 | 2-2 | 2-2 | 2-2 | 52-52 | 52-52 |
| New Zealand | 12765 | 2-2 | 14556 | 7.90 | 31-33 | 04245 | 12840 | 2-2 | 14556 |
| Saudi Arab | 6167 | 0-0 | 0-0 | 12765 | 1-4 | 5-10 | 2-6 | 2-6 | 2-6 |
| Singapore | 12393 | 0-0 | 0-0 | 12822 | 8-15 | 60-65 | 12822 | 0-0 | 0-0 |

Dai-Ichi Kangyo chiefs arrested

Three executives and a former

executive of Dai-Ichi Kangyo Bank were arrested yesterday on suspicion that they loaned £15m to a reputed racketeer, a large amount of which was not backed by collateral.

The arrests are the first involving the bank, the oldest and third-biggest in Japan, and are part of the escalating scandal involving Nomura Securities. The president and chairman of the bank, who were not arrested, are to resign.

Ryuichi Koike, the reputed racketeer, allegedly used some of the loans to buy 300,000 shares in Nomura, prosecutors said. He is then said to have used his position as a shareholder to extort £264,000 from Nomura, Japan's and the world's largest brokerage.

The arrests yesterday came just 24 hours after prosecutors indicted Nomura and two former executives, saying they illegally compensated Mr Koike for trading losses, a crime under Japanese securities laws.

The four bankers arrested yesterday were Tatsuo Shibusawa, director of the general affairs department, the section of

Japanese companies that usually deal with corporate extortions; Hiroshi Inotsume, a former managing director and former head of general affairs, who has left the bank; Takumi Manabe, deputy manager of general affairs; and Michiyoshi Kusajima, a former deputy manager of general affairs.

Tokyo prosecutors declined to comment on the arrests, which were described by a spokesman at the Bank of Japan as "extremely regretful".

Dai-Ichi Kangyo loaned the money to Kojin Building, a Tokyo-based real estate company owned by Mr Koike's younger brother, Yoshimori, the bank's president, Katsuhiko Kondo, said in unsworn testimony before the lower house budget committee yesterday. The bank made the loans to what it thought was a legitimate business and it did not know of the connection to Mr Koike, added Mr Kondo, who said that as much as £46m of the money was unrecoverable.

Dai-Ichi's chairman, Tadashi Okuda, and Mr Kondo will resign at the company's annual meeting on 27 June.

Autif chairman leads the way... 16,000 feet to Everest base camp

PEOPLE & BUSINESS



Lewis McNaught: Found new heights to scale after his South Pole expedition

25th wedding anniversary, to look for a house and a school for his younger son. He is selling his house in Oyster Bay to move to central London. He likes to garden, shoot and play squash, tennis and golf. He is also a keen rugby watcher and a lifelong supporter of, wait for it, West Ham!

All City customs have to start some time and the Corney & Barrow Golf Croquet League, which was first held in 1995, neatly combines the City's traditional interest in gentlemanly pursuits with just a touch of Eighties brashness to create an image of competitiveness and style which is wholly Nineties.

Two man teams from over 100 City firms will take part in the 1997 tournament, which begins next Tuesday with a champagne launch attended by Count Edouard de Nazele of Veuve Clicquot, together with last year's winners, the Rolling Bulls from Leopold Joseph.

The competition proper starts on

Wednesday with a series of round-robin

matches at lunchtimes and evenings on

the lawn in Exchange Square at Broadgate in the City. The competition pro-

gresses through a knock-out stage

leading to the grand final played for

the Veuve Clicquot cup on 5 September.

London Metal Exchange

Settlement

Contract

Settlement

sport

England's show of strength

Football

GLENN MOORE
reports from La Baule

The air around England's thinned French retreat was punctuated with cries of delight yesterday. To the uninitiated it may have seemed they were still celebrating Wednesday night's stunning 2-0 win over Italy in Nantes, but the footballers were enjoying another unexpected English success - their televisions can pick up the BBC's cricket coverage.

When it came to the football the mood was more restrained. While there was a quiet confidence about the England camp, there was also an unmistakable sense that it was no time to be carried away. Contests with France and Brazil beckon.

While it is true that England's progress can only be properly assessed after they have completed their *Tournoi de France* programme, Wednesday night did suggest a bright future - especially as so many leading players were not involved.

As well as the six changes from the Poland match, it should be remembered there are 14 current internationals back in England who are either injured or recuperating from operations.

"This is the strongest England squad I have been involved in," Stuart Pearce, who won his 67th cap on Wednesday, said. Pearce, 11 years an interna-

tional, also said that he thought Paul Scholes' full debut was the best he had seen.

Scholes was as unflappable yesterday as he had seemed the previous evening. He had not even phoned his family. "My dad [Stewart] works nights as an engineer," he explained. "I'll ring him when he's had his sleep." Surely, chorused the press, he will have watched it.

"No, he's pretty calm like me. He would have heard it on the radio and I expect he'll watch it on tape in the afternoon."

Scholes' calm did not preclude his admitting he had a rare burst of nerves when Glenn Hoddle told him he was playing. Then it was on with the game. He held onto his shirt afterwards, refusing all Italian efforts to take it off his back as successfully as he had denied them the ball. "I like to keep my shirts," he said. "They're in a big bag at present but I expect I'll frame the first one eventually."

David Beckham sat alongside Scholes, for once relegated to second billing. Not that he seemed upset at that - while professing himself able to handle the media interest, he admitted: "I don't like being on the front pages, I'd rather be on the back pages. Some of the things they have said about me are unbelievable. I'm supposed to go to places I've never been near."

Beckham was as impressive as Scholes on Wednesday, but both were disappointed with their bookings. Scholes was for an over-zealous tackle. A com-



Ian Wright accepts the adulation of the England fans following his goal in Nantes on Wednesday. Photograph: Empics

petitive player with a hard edge, he will have to adjust to the stricter refereeing at international level.

Beckham's problem is his tongue rather than his feet. He admitted that Hoddle had cautioned him on his dissent at half-time. "He said I open my mouth too much. It's nothing to be proud of and I'm making an effort to change. It is some thing I do in the heat of the moment, I'm not normally aggressive."

"Young David Beckham needs to understand that when he's been booked he can't stand there arguing," Hoddle said. "Gascoigne will probably play against France tomorrow.

"He could have got a second yellow card. At half-time I told him: 'The way you are playing, don't make me have to take you off because in a moment you are going to be sent off.' He learned, which is a good sign."

The daftest booking was Gascoigne's for a silly tackle in an innocuous area. It spoke heavily of his frustration.

While he may delight in the promise of the young players around him, their progress can only hasten his departure and remind him of his unfinished potential.

Gascoigne will probably play against France tomorrow.

row,

as will Alan Shearer. Ian

Wright will be content to step down having cemented his place as understudy, a position he could never have dared hope for a year ago when Robbie Fowler was heir apparent and Wright was an international discard.

One wondered what Fowler,

and Steve McManaman,

thought of as they watched

during their recuperation from surgery. As patriots they would have enjoyed it, as contenders for an England place they would not. Hoddle may have had them in mind when he added: "I always said this tour-

nament would offer players a chance to claim."

It was England's fifth suc-

cessive win, and their fourth

away win out of four under Hoddle. In nine games only Marek Cirklo, of Poland, and Italy's Gianfranco Zola have

scored against them.

It is a record which, naturally,

breeds confidence, with the latest result particularly valuable in the light of the October World Cup visit to Italy. Hod-

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